



# Working for Australia

Consumers, investors, business and markets



ASIC Annual Report 2005–06



**ASIC**

Australian Securities &  
Investments Commission

# About this report

ASIC aims for transparency and clear communication. Last year's annual report won:

- our 7th consecutive Gold Award from the Australasian Reporting Awards Inc.
- 'Distinguished', the highest grade international and Australian awards, from the Society for Technical Communication's International Technical Publications Competition 2006.

Under section 9 of the *Commonwealth Authorities and Companies Act 1997*, members of the Commission take responsibility for the preparation and content of this report of operations in accordance with the Finance Minister's orders.

This is our 16th annual report. ASIC began operating in January 1991, then as the Australian Securities Commission.

## In this report

<b>Highlights</b>		2–3
<b>Chairman's report</b>	Chairman Jeffrey Lucy AM reviews the year	4
<b>Better regulation</b>	Making the regulatory system easier to work with	8
<b>2005–06 priorities</b>	Priorities and key results for achieving long term goals	11
<b>Effectiveness</b>	Advancing the aims set out in our legislation	13
<b>Financial summary</b>	Using taxpayers' money for the outcome approved by Parliament	14
<b>Our people</b>	Helping our people achieve	15
<b>Organisation</b>	A stable and experienced senior management team	16
<b>Operational summary</b>	Specialist teams contributed to common goals	17
Enforcing the law	High profile enforcement and upholding the law	18
Protecting consumers	Super Choice and helping the public	22
International cooperation	Mutual assistance and cooperation	25
Promoting compliance	Super, financial services, corporate compliance	26
Regulatory work	Financial services, auditor regulation, better regulation	30
Operations, public information and staff	Public information, staff, IT	32
Finance and corporate services	Funding boost, property, environmental management	36
<b>The regulatory picture</b>	Company and financial regulation: who's involved, who it protects and how it's carried out	38
<b>Commissioners and senior management</b>	Qualifications, terms of office and experience	40
<b>ASIC governance</b>	Robust, effective systems of accountability and control	42
<b>Managing risk</b>	Ethical standards, security and audit	44
<b>Community and regional involvement</b>	Involving our stakeholders in our work	46
<b>Audit</b>	Audit Committee; assurance and compliance	47
<b>Appendices</b>	Publications, freedom of information, disability strategy, finance sector levy, Electoral Act disclosure	48
<b>Six year summary</b>	Data on business, ASIC's performance and finance	51
<b>Financial statements</b>	Audited financial performance, financial position, cash flows and notes	52
<b>Index</b>		111
<b>Contact us</b>	How to find and contact ASIC	Inside back cover

# ASIC at a glance

The Australian Securities and Investments Commission enforced and regulated company and financial services laws.

## Our 2005–06 priorities

Working for consumers, investors and business.

Protected people choosing a super fund, made financial services laws more effective, managed high-profile enforcement actions, tackled insolvent trading, regulated company auditors, supported new accounting standards, page 11.

Highlights of the year, page 3.

## Main activities

Regulated Australia's 1.5 million corporations, 4,415 financial services businesses, and 15 financial markets.

Worked to improve Australia's financial system, covering super, managed funds, insurance, credit, deposit-taking and financial advice.

Cooperated with Australian and international regulatory bodies, pages 25, 38.

## Vision

Fair and efficient markets and confident, informed consumers.

For our priorities, aims and outputs, pages 11, 13, 14.  
Delivered through six directorates, page 16.

## Values

To be strong, fair and progressive, page 44.

## Finances

Raised \$543 million in fees for the Commonwealth. Our work cost \$218 million, funded from the Commonwealth budget, page 14.

## Staff

Employed 1,471 people around Australia (average full-time equivalents), page 15.

## Governance

An independent Commonwealth government body, led by three full-time Commissioners, accountable to the Minister, Parliament and through administrative and judicial review, page 42.



# Highlights 2005–06



1. **Helped prevent widespread superannuation mis-selling** through enforcement, compliance and education, pages 19, 22 and 26.
2. **Concluded enforcement proceedings against a record 352 people or companies**, 94% successfully. Managed an exceptional number of high profile, challenging investigations, pages 4, 18.
3. **Targeted the culture of denial in financially troubled companies** and set up a program to act against delinquent directors, pages 5, 28.
4. **Launched initiatives for better regulation**, granted 2,565 approvals that helped business transactions, and processed 45 million requests for business data, up 25%, pages 8, 31 and 32.
5. **Exposed and litigated against conflicts of interest** between advisers and their clients to raise industry standards, pages 5 and 27.
6. **Ensured ASIC's sustainability** through additional funding and by investing in our people and technology, pages 6, 33 and 35.

**LEFT:** Working to protect consumers. A team of about 40 staff used a wide range of enforcement, compliance and educational strategies to help prevent superannuation mis-selling.



# Chairman's Report

**Working for Australia: consumers, investors, business and markets**

ASIC worked to promote high standards and public confidence in Australia's financial system.

Our priorities included superannuation choice and improving standards in the financial services sector for consumers and investors. We took high profile enforcement action, acted against company insolvent trading and launched 'better regulation' initiatives for business and financial markets. See also page 11.

## **Superannuation choice: reducing risks**

From 1 July 2005, millions of Australians could choose a super fund for the first time. Overseas experience showed that, without proper attention, this might lead to widespread mis-selling of unsuitable super products to many people. To date, this risk has largely been avoided.

ASIC stopped misleading and deceptive advertisements, and increased surveillance of financial advisers. We randomly checked 259 financial advisers who gave consumers advice about their super. This 'shadow shopping' found cases of unreasonable advice, and we are now energetically following up the licensees concerned. See also my comments on conflicts of interest.

We contributed significantly to the government's public education campaign, see page 22.

## **More enforcement, more high profile matters**

**'It is getting harder for cynics to argue that the corporate world is riddled with fraud and nothing is being done about it', editorial, *Australian Financial Review*<sup>1</sup>.**

We concluded enforcement proceedings against a record 352 people or companies. We succeeded in 94% of those cases. Much of this action was aimed at stopping misconduct at the earliest possible opportunity. Notable results included:

**ABOVE:** Jeffrey Lucy AM, ASIC Chairman, see page 40 for biographical details.

<sup>1</sup>5 July 2006, on the sentencing of NAB currency traders

- 8 years jail for Bradley Cooper for corrupting an HIH executive
- speedy convictions (and subsequent jailing) of 4 NAB currency traders
- 90% jump in civil orders obtained to halt misconduct and preserve assets
- 34% increase in action against illegal investment schemes
- 21% increase in new criminal proceedings. More criminal matters remained uncompleted before the courts.

About 3,000 investors lost money in Westpoint property development companies. After earlier court action in 2004 over the way Westpoint raised money from investors, we began extensive inquiries into the Westpoint group to see if it could continue to meet its promises to investors. In November 2005, we persuaded the court to intervene. Further proceedings exposed the entire group's hopeless insolvency, and a full-scale investigation is under way.

Rarely has ASIC had so many important matters on foot, including HIH Insurance, the NAB currency traders, Westpoint, James Hardie, One.Tel, Offset Alpine Printing, Sons of Gwalia, and the cross-agency tax-related investigation 'Project Wickenby'. Our teams showed great determination and capacity in managing these challenging cases, see page 18.

We also signed a new Memorandum of Understanding with the Commonwealth Director of Public Prosecutions.

### **Tackling company insolvent trading**

Too often, directors of financially troubled companies deny the facts and fail to prevent insolvent trading. Over the past three years, we visited more than 1,600 troubled companies to change this culture of denial, and persuaded many directors to call in professional advisers.

To deal with delinquent directors, the government granted us extra funds to pay liquidators of assetless companies to report and document suitable cases for banning and other enforcement action. We set up a program and received 141 funding applications, see page 28.

### **Conflicts of interest in financial services**

Serious conflicts between the financial interests of advisers and their clients must be avoided or properly managed. In many cases, disclosure alone will not suffice.

For example, we reviewed 300 files, which primarily related to superannuation switching advice, selected from 30 AMP financial planners chosen at random. Of the switching advice files selected, we found that 45% failed to adequately disclose a reasonable basis for the advice. In July 2006, we accepted a legally binding commitment from AMP Financial Planning to modify key aspects of how it advises its customers. Customers may also be eligible for refunds.

We are determined to raise industry standards further. Our work focused attention and reinvigorated public debate on how financial planners, investment banks and corporate advisers handle conflicts of interest. Some financial advisory businesses announced a move to 'fee for service', away from selling on commission, to ensure advice will be appropriate to clients' needs.

In March 2006, we sought civil penalties against Citigroup, the world's largest bank, for conflicts and insider trading breaches when advising a client, Toll Holdings Ltd.

### **Better regulation and helping business**

The whole community benefits from well-regulated corporations, capital markets and financial services. The States and Territories renewed their referral of powers to the Commonwealth under the Constitution to ensure that Australia's regulatory system remains legally effective.

Australia's regulatory system is highly regarded internationally, although it imposes costs and burdens. Our 'Better Regulation' project will make the regulatory system ASIC administers easier to work with and ASIC more accessible and transparent. We published an ASIC service charter and a guide to ASIC. We set up a Business Consultative Panel to the Commission and a working group with the Australian Prudential Regulation Authority to tackle any issues of regulatory overlap. See page 8.

We granted relief from the law in 2,565 cases that helped business transactions. Our new computer mainframe enabled us to process 45 million requests for business data, up 25%.

### **International cooperation**

Under the Australia-Indonesia Partnership for Reconstruction and Development, ASIC received more than \$1 million to help strengthen the Indonesian capital markets supervisory agency, Bapepam, in enforcement and surveillance. This is a pilot for broader ASIC assistance to promote financial stability in our region.

We increased our cooperation with overseas regulators and report more fully on international relationships on page 25.

### **Sustaining ASIC: our people, funding and IT**

I am constantly impressed by the quality of the work our people do, and the Commission thanks them for their professionalism and commitment.

The Commission has worked to make ASIC a more attractive and satisfying place to work, where our people can contribute to the public good. In our latest employee survey, we found staff satisfaction had significantly improved. We also strengthened our performance

management processes, supported external secondments to foster exchange of expertise, see page 15.

The government's decision in the May 2006 budget to grant ASIC an extra \$235 million over four years will help us undertake work for consumers, business and financial markets, including a potential \$120 million over four years for high-cost significant public interest investigations and litigation, see also page 14.

We have upgraded some core elements of our information technology, approved a major IT reform program and are preparing to implement it.

### **Financial services reform: audit review and refinements**

The Australian National Audit Office (ANAO) audited our performance in licensing the entire financial services industry under new laws, a major undertaking covering many businesses that had never been licensed before. ASIC accepted and is implementing ANAO's recommendations to improve:

- documentation of licence processing, the usability of our licensee register and reporting of our compliance performance, and
- processes for identifying and managing regulatory risks.

Additionally, ASIC and the government did much this year to make financial services laws operate more smoothly, see page 30.

### **Targets and effectiveness measures**

Key targets and measures of effectiveness in meeting the long term aims of the ASIC Act are reported on pages 13 and 17. Our numerical targets usually focus on high volume processes. The relevance of numerical targets and measures is limited because markets are complex and regulatory influences hard to isolate from other factors.





Discussing regulation and its limits at the ASIC Summer School: Indonesian regulator Luthfy Zain, ASIC Chairman Jeffrey Lucy, Ontario Securities Commission Vice Chair Susan Wolburgh Jenah, Malaysian regulator Benothini Bascaran, Macquarie Bank CEO Allan Moss, ASIC lawyer Justine White, see page 9

## Commission membership

Commissioner Berna Collier left in February 2006 to be appointed a judge of the Federal Court of Australia. At ASIC, Berna made a particularly important contribution to financial services regulation, insolvency law and regional issues. She was also a strong advocate of consumer protection.

The Parliamentary Secretary to the Treasurer appointed ASIC Executive Director Malcolm Rodgers as an acting Commissioner, see page 40.

## Outlook

We cover a broad and complex territory, ranging from managing and delivering on high profile enforcement matters to improving the quality of advice and disclosure for consumers.

Our priorities include:

- reducing losses and misconduct related to complex financial products
- regulating more effectively large entities and market participants, including those active in over-the-counter and non-retail markets
- working with the government to streamline financial services and corporations laws
- increasing our accessibility and transparency.

My report, and the rest of this annual report except for the financial statements, constitutes ASIC's report of operations in accordance with a resolution of Commissioners made on 2 August 2006.

Jeffrey Lucy, AM  
Chairman

# Better regulation

Regulation and the burdens it can place on business was debated in the context of the April 2006 government report *Rethinking Regulation: Report of Taskforce on Reducing Regulatory Burdens on Business*.

## Towards better regulation

Our *Better Regulation* project launched in May 2006 will make the regulatory system ASIC administers easier to work with.

Our priorities	Progress to date
Greater transparency and accessibility for stakeholders about how ASIC works, makes decisions and approaches its legislative functions	New <i>ASIC Service Charter</i> and <i>ASIC: a guide to how we work</i> published, setting out service standards, ASIC's organisation and accountability
Engaging with business to identify and reduce areas where there is regulatory duplication or overlap	Joint ASIC-APRA working group to resolve regulatory duplication or overlap
More fully understanding the impact on business of ASIC's regulatory decisions	Research on world's best practice in analysing the impact on business of regulation
Helping clients deal more efficiently with ASIC by streamlining and where possible reducing paperwork	A plan to rationalise our regulatory documents



Three new publications explained our *Better Regulation* project, our service standards, and our organisation and accountability.

## New Business Consultative Panel

In June 2006, we established a Business Consultative Panel for a more effective and open dialogue between ASIC and the business community on current and emerging market issues and risks. This initiative demonstrated our commitment to better regulation through close interaction with important stakeholders. It builds on our well-established consultation activities, including our Consumer Advisory Panel and Regional Liaison Committees, see page 46. The Panel's two Chapters, based in Sydney and Melbourne, are expected to meet three times a year, chaired by ASIC's Chairman and Deputy Chairman respectively.

Location	Panel members
Sydney	Mr David Gonski, Chairman, Investec Ms Diane Grady, Non-Executive Director, Woolworths Mr David Morgan, CEO, Westpac Mr Robert Savage, Chairman, Perpetual Trustees Australia Mr Les Taylor, Chairman, Freshtel Holdings.
Melbourne	Mr Kevin Bailey, Founder, The Money Managers Mr Jeremy Duffield, Managing Director, Vanguard Investments Australia Ms Paula Dwyer, Non-Executive Director Mr Lee laFrate, Executive Chairman, Armytage Private Mr Geof Stapledon, Managing Director, ISS Australia Ms Karen Wood, Company Secretary, BHP Billiton.

## Leading debate on regulation

ASIC Commissioners and senior managers contributed to the debate on regulation at peak industry and professional conferences and through the media, see also page 46.

Our 2006 Summer School brought together some of the sharpest minds and most experienced practitioners in the Australian and international financial sector to explore regulation and its limits. International and Australian speakers and more than 200 participants attended from a broad spectrum of the financial services industry.



# 2005–06 priorities and key results

The year's priorities for achieving long term goals<sup>1</sup>

National priority	Summary of results
Superannuation choice	<p>Helped prevent widespread superannuation mis-selling by:</p> <ul style="list-style-type: none"> <li>• enforcing laws against misconduct and mis-selling, pages 19, 26</li> <li>• intensively checking compliance, pages 22, 27</li> <li>• stopping misleading advertising, page 22</li> <li>• educating consumers, page 22</li> </ul>
Financial services	<p>Improved conduct and disclosure among financial advisers and product issuers by:</p> <ul style="list-style-type: none"> <li>• enforcing the law against misconduct and acting against conflicts of interest, pages 18, 27</li> <li>• obtaining better disclosure for investors, pages 27, 28</li> <li>• promoting shorter prospectuses and statements of advice, page 30</li> </ul>
High profile enforcement	<p>Enforced the law in high profile matters and deterred misconduct by:</p> <ul style="list-style-type: none"> <li>• progressing with HIH: 1 conviction, 1 guilty plea, 2 acquittals, new charges against former HIH Chairman, Chief Financial Officer and FAI officers, page 18</li> <li>• shutting down Westpoint group and undertaking intensive investigation of directors and advisers, page 5</li> <li>• prosecuting and convicting NAB currency traders, page 18</li> </ul>
Corporate insolvency	<p>Targeted the culture of denial in financially troubled companies by:</p> <ul style="list-style-type: none"> <li>• visiting 536 potentially troubled companies to help them deal promptly with financial difficulties, page 28</li> <li>• setting up a program to act against delinquent directors, page 28</li> <li>• disqualifying 44 directors from company management, page 19</li> </ul>
Auditor regulation	<p>Made sure auditors could comply with stricter requirements by:</p> <ul style="list-style-type: none"> <li>• reviewing audit practices in major firms, page 28</li> <li>• extending onsite inspections to mid-tier firms, page 28</li> <li>• working with local standard setters and international audit regulators, page 31</li> </ul>
International financial reporting standards	<p>Supported introduction of more internationally consistent financial reporting by:</p> <ul style="list-style-type: none"> <li>• helping companies understand the standards, page 31</li> <li>• checking that listed public companies complied, page 28</li> </ul>

<sup>1</sup> For long term goals, see *ASIC Strategic Plan 2005–10*, on our website

**LEFT:** Preparing to visit a financially troubled company in Melbourne. Our national insolvency unit encouraged companies to deal promptly with financial difficulties and call in professional advisers if necessary.



# Effectiveness

Key statistics about advancing the aims set out in our legislation<sup>§</sup>

	2005–06	2004–05	2003–04
<b>Upholding the law uniformly, effectively and quickly</b>			
• % total litigation successful	94%	94%	93%
• % criminal litigation successful	72%	87%	89%
• % civil litigation successful	98%	95%	94%
• Civil orders against people or companies	230	121	118
• Criminals jailed	17*	27	28
• Additional disclosures achieved for investors	125	161	212
<b>Promoting confident and informed consumers</b>			
• Public complaints about misconduct assessed	12,075	10,752	9,970
• Visits to our consumer website <b>FIDO</b>	785,000	615,000	<sup>†</sup> n/a
• People assisted through our call centre	770,000	784,000	863,000
• Recoveries, costs, compensation, fines and assets frozen	\$215 million	\$123 million	\$121 million
• Company fundraisings where ASIC achieved additional disclosure for investors	\$10 billion	\$6 billion	\$4 billion
<b>Making company information available quickly and efficiently</b>			
• Total requests (free and paid) from ASIC databases <sup>‡</sup>	45 million	36 million	36 million
• Company data lodged on time	94%	94%	92%
<b>Improving the performance of the financial system and the entities within it</b>			
• Applications granted that reduced costs to business	2,489	2,939	1,916
• Applications granted for innovative transactions or products	76	54	91
• New Australian financial services licences issued	428	401	<sup>††</sup> 3,227

§ Based on the ASIC Act, see page 38

\* A number of criminal matters are still uncompleted before the courts, see page 5

† Previous data included hundreds of thousands of visits by web spiders, not people

‡ Entire series restated, previous data incomplete. New mainframe processed more requests

†† Financial services reform triggered an unusually high number of applications

**LEFT:** About 50 ASIC people around Australia are involved with the protracted, complex and controversial Westpoint case, including a team in Perth. We have kept investors up to date through meetings and bulletins, sought more information from them, as well as conducting extensive investigations and litigation, see page 5.

# Financial summary

## Using taxpayers' money for the outcome approved by Parliament

	2005–06	2004–05	2003–04
<b>Operating expenses</b>	\$218m	\$208m	\$196m
Annual change	+5%	+6%	+13%
<b>Fees and charges raised for the Commonwealth</b>	\$543m	\$531m	\$457m
Annual change	+2%	+16%	+13%

Parliament funds ASIC to achieve the outcome of 'a fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers'. To achieve this outcome we deliver four outputs, with enforcement activity representing 49% of expenses.

ASIC outputs*	This year	Last year	Change
1. Policy and guidance about laws administered by ASIC, page 30. Increased expenses arose from filling vacancies that had existed in 2004–05.	\$14m	\$13m	+7%
2. Comprehensive and accurate information on companies and corporate activity, page 32. Increased expenses reflect higher depreciation expenses on systems completed to implement CLERP 7 law reforms.	\$50m	\$47m	+6%
3. Compliance monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity, pages 22, 26 and 31. Increased expenses included work on superannuation choice and audit regulation.	\$52m	\$48m	+10%
4. Enforcement activity to give effect to the laws administered by ASIC, page 18. Higher expenses incurred in 2005–06 on major matters including James Hardie, Offset Alpine Printing and Westpoint were offset by lower expenditure on matters such as HIH and One.Tel.	\$102m	\$101m	+1%
<b>Total</b>	<b>\$218m</b>	<b>\$208m</b>	<b>+5%</b>

\*Internal service costs are apportioned to these outputs.

We also raised \$543 million for the Commonwealth in fees and charges.

Our expenses of \$218 million increased, largely to sustain operations and to increase enforcement activities. Employee expenses, our largest outlay of \$127 million, increased 3%. Supplier expenses, excluding property costs, increased 8% to \$75 million, including increased litigation and forensic costs.

We received \$214 million in appropriations and \$11 million in revenue from the sale of services, interest and other sources, including \$1.3 million in recoveries for court and investigation costs. Our \$6.7 million operating surplus arose after funding specific initiatives for which the government provided special purpose funding.

In certain cases the special purpose funding was underspent during the financial year, by \$7.3 million. See our financial statements on page 52.

Some \$12 million of our appropriation was levied by the government on deposit-taking, superannuation and insurance organisations, used for the purposes shown on page 50.

## Outlook

An extra \$235 million over four years will fund enforcement activities, action on increasingly complex issues, a presence in non-exchange-based market trading, IT security and electronic registration of company charges.



# Our people

## Helping our people achieve

We are committed to developing our people to improve ASIC's performance. We are also committed to equal opportunity and the percentage of women in senior roles increased from 40% to 43%.

	2005–06	2004–05	2003–04
Staff (average full-time equivalents)	1,471	1,570	1,531
Annual change	-6%	3%	10%

Most staff are engaged under the Public Service Act. ASIC is one of the largest 20 employers of public servants, out of about 90 Australian Government Departments and agencies. Staff numbers declined. Vacancies took longer to fill with the right people, especially in Sydney and Melbourne. We also engaged fewer information technology contractors.

### Towards high performance

To build a culture of high performance, we strengthened our performance management framework as part of our new Certified Agreement and Australian Workplace Agreements. Performance agreements focus on managing outputs, interpersonal and personal skills, continuous feedback during the year and will include upward feedback from 2006–07.

To encourage the exchange of expertise, 5 ASIC people were seconded to work outside and 23 non-ASIC people came on secondment to work with us.

### A more satisfying workplace

In our latest national staff survey, we recorded a significant improvement in satisfaction, resulting from a concerted emphasis on management development and training, workforce planning and systematic and regular communication from senior management. The survey also indicated areas for further improvement to make ASIC an employer of choice.

### Developing talented managers and leaders

We prepared a succession planning and talent management strategy to help us retain and develop talented people and to reduce the risk of losing key people occupying critical positions.

To develop our managers and leaders, some 200 managers participated in management development workshops and 70 high potential people attended the Mt Eliza executive development program.

### Workforce planning, recruitment and selection

Our workforce planning strategy, developed this year, identified priority areas where we must attract and retain staff. To do this more efficiently, we began our first bulk recruitment for lawyers, analysts, accountants and investigators in May 2006. Successful applicants will be assigned to areas of need.

### A safer workplace

Fewer staff were hurt at work, and those who did were helped more promptly and returned to work more quickly. Some 63 incidents, generally involving minor injury, were reported, down 6%, with 140 days lost.

## Outlook

In the coming year, we expect staff numbers to increase. We will:

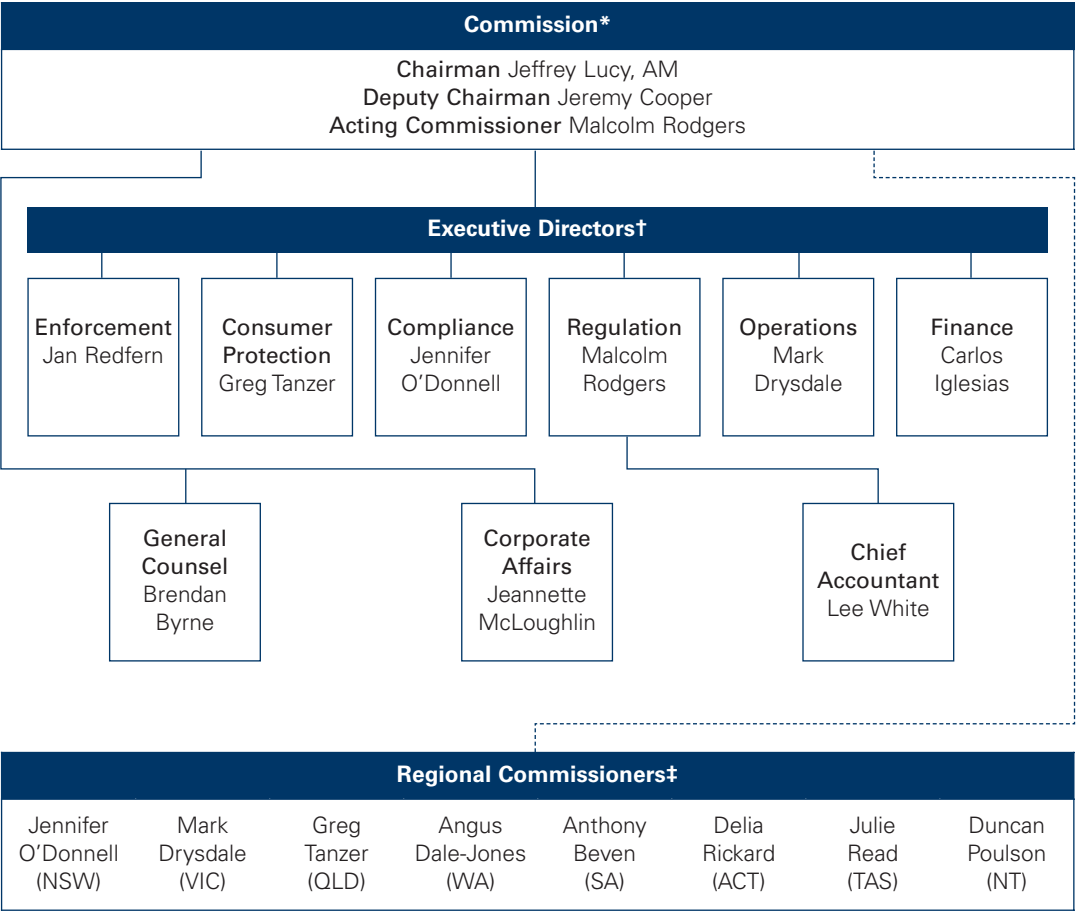
- emphasise leadership and management development and training
- implement our new performance management system
- strengthen workforce planning, recruitment and selection.

More about our people on page 32.

# Organisation

A stable and experienced senior management team

The senior management team remained generally unchanged. In key changes, former Commissioner Berna Collier was appointed to the Federal Court, Jeannette McLoughlin was appointed to lead an enhanced corporate affairs function.



\* Commissioners' biographies and † Executive Directors' details, page 40.

‡ Regional Commissioners' details, see page 46.

# Operational summary

Specialist teams contributed to national priorities and common goals

	Enforcing the law	Protecting consumers	Promoting compliance	Regulatory work	Operations	Finance
Staff <sup>†</sup>	373 people	100 people*	187 people <sup>‡</sup>	137 people	480 people <sup>††</sup>	117 people
Role	Investigate and act against misconduct	Protect consumers	Ensure companies and licensees comply with the law	Set ASIC policy on regulating markets and business	Company data, insolvency, IT and HR	Finance, risk, knowledge management, corporate services
Key events	Westpoint property group found insolvent	Employee choice of super fund commenced 1 July 2005	First year implementation of new international accounting standards	Australian Stock Exchange and Sydney Futures Exchange announced a merger	Government halved company registration fees from 1 July 2006	Additional funding of \$23 million over 4 years announced
Results with key targets if applicable	94% litigation successful (target 75%)	Finalised 81% of public complaints in 28 days (target 70%)	Completed 83% document surveillances in 30 days (target 90%)	Decided on 72% of applications for relief from the law within 15 business days (target 70%)	71% of company documents lodged electronically (target 70%)	Balanced revenue against expenses (on target)
	70% investigations completed in 12 months (target 85%)	Achieved compliance in 79% of cases (target 60%)	Better disclosure for investors in \$10 billion capital raisings	Decided on 83% of AFS licence applications within 28 days (target 70%)	Processed 91% of key documents within 48 hours (target 90%)	Secured government budgetary support for new policy proposals
	17 jailed, banned 44 directors and 27 people from financial services	785,000 visits to consumer website (up 28% but below target 1.2 million)	Increased on-site visits to licensees by 20%	Launched 'Better Regulation' project to assist business	536 companies visited to reduce insolvent trading	Energy use 10,429 MJ per person (target 10,000 MJ)
Key priorities for 2006–07	Effectively manage our high profile enforcement actions	Improve the quality of retail-level advice and disclosure	Develop early and effective action against misconduct concerning complex products	Rationalise and redesign our regulatory documents	Implement employment strategy, IT reform and performance improvements	Achieve and maintain adequate funding, property and facilities
More information	Page 18	Page 22	Page 26	Page 30	Page 32	Page 36

<sup>†</sup> Average full-time equivalents, not including 30 staff supporting the Commission, General Counsel, and 39 staff supporting the Superannuation Complaints Tribunal and other statutory bodies.

\* Excludes 8 staff working in international relations

<sup>‡</sup> Includes 24 staff working on corporate insolvency located in our operations directorate

<sup>††</sup> Includes 26 full-time graduates working for other directorates, and excludes 24 staff working on corporate insolvency located in our operations directorate

# Enforcing the law

## Overview

373 staff investigated suspected breaches of the law:

- had 27 criminals convicted, including 17 jailed, in collaboration with Directors of Public Prosecutions
- completed 102 civil proceedings and obtained \$144 million in recoveries, costs, compensation and fines with more than \$71 million in assets frozen
- commenced 195 criminal, civil or administrative proceedings against 391 people or companies
- banned or obtained undertakings removing 44 people from managing corporations and 27 from offering financial services
- had 14 company auditors and liquidators disciplined for misconduct.

KEY RESULTS	This year	Last year	% change
Criminal, civil and administrative proceedings completed	189	159	+19%
Criminals jailed	*17	27	-37%
Civil orders against people or companies	230	121	+90%
Illegal schemes shut down or other action taken	102	76	+34%
People removed from directing companies	44	33	+33%
People banned from financial services	27	25	+8%
Auditors and liquidators disciplined for misconduct	14	12	+17%

\* A number of criminal matters are still uncompleted before the courts, see page 5

## High profile enforcement matters

We pursued a heavy workload of complex matters, including Westpoint, HIH Insurance, One.Tel, James Hardie, Offset Alpine Printing, and the tax-related cross-agency investigation ‘Project Wickenby’. Key developments included:

HIH Insurance	Bradley Cooper jailed for corrupting an HIH executive, former FAI financial controller Tony Boulden pleaded guilty. Charges laid against former HIH Chairman, HIH Chief Financial Officer and former FAI officers. FAI officers acquitted on other charges
NAB foreign currency traders	4 former National Australia Bank foreign currency traders convicted and jailed for dishonestly using their positions to gain an advantage for themselves and others
Westpoint group	Commenced 35 proceedings against 27 individuals or companies. Orders obtained to preserve assets for creditors. Investigation of Westpoint directors, their advisers and financial advisers to investors is continuing
Citigroup	Civil proceedings begun for alleged mismanagement of conflicts of interest and insider trading

James Hardie, Offset Alpine Printing, Sons of Gwalia and the cross-agency tax-related investigation ‘Project Wickenby’ are matters under active investigation where it is not appropriate to make any public statement.

In 13 matters, parties challenged our proceedings, including 3 unsuccessful constitutional challenges to our powers, in both the High and full Federal Courts.

## Superannuation choice

To protect consumers against mis-selling, we took criminal, civil and banning action against businesses and individuals.

Three jail terms were imposed for superannuation fraud. We revoked the licence of superannuation adviser, SMS Advising Group, and banned its director for serious breaches. We had 11 companies wound up and had permanent bans imposed on directors involved in setting up 53 self-managed super funds to misappropriate people's money.

We took enforceable undertakings (including from AMP in July 2006) and negotiated settlements against a number of large super funds and advisory businesses to stop misleading advertising, poor disclosure or inadequate compliance, see also pages 22 and 26.

## Corporate insolvency

We stepped up our campaign against companies that trade while insolvent and threaten the interests of creditors, including employees.

Murray River Ltd	Malcolm Edwards banned by the court for 10 years for failing to prevent the company incurring debts exceeding \$3.5 million when there were reasonable grounds to suspect the company was insolvent
Neolido Holdings Pty Ltd	Liquidator appointed because the company had negative equity of about \$20 million, records about 3 to 4 months behind, and unpaid employee entitlements including superannuation

Liquidators were appointed to insolvent companies in 9 cases, and 23 directors or company officers involved in failed companies were banned for a total of over 87 years.

We also acted against misconduct by liquidators of failed companies. John Henderson Jackson was jailed for fraud, three other liquidators were disciplined, and two others relinquished their registration following our investigations.

## Financial markets

We actively upheld the integrity of our financial markets. Key matters included:

Insider trading	Former Clifford Corporation directors John Barrie Loiterton and Ian Robert Hall jailed for 3 years and 25 months respectively
Directors duties	3 former officers of GIO Australia found to have breached their duties as directors during the course of AMP's 1998–99 takeover bid for GIO Australia Former Telstra director Stephen Vizard fined \$390,000 and banned as a director for 10 years
Continuous disclosure	Chemeq Ltd settled by conceding it had seriously contravened obligations to inform the market about matters likely to affect its share price (subsequently fined \$500,000) Began proceeding against Fortescue Metals Group Ltd and director Andrew Forrest for allegedly breaching continuous disclosure obligations and directors duties

Five listed companies (Astron Limited, Avastra Limited, QR Sciences Limited, SDI Limited and Solbec Pharmaceuticals Limited) were issued with notices for breaching continuous disclosure obligations and fined a total of \$165,000. We also investigated Telstra’s compliance with these obligations and publicly reported concerns about some of Telstra’s procedures that could create potential risks in meeting its continuous disclosure obligations in the future.

## Financial services

To ensure consumers using financial products and getting financial advice were treated honestly and fairly, we obtained a wide range of remedies. In many cases, companies cooperated with ASIC inquiries.

ING Australia	Secured \$24.5 million compensation for investors to remedy unit pricing errors affecting its super, life insurance and managed investments
GE Money	Had the company change its practices in selling consumer credit and life insurance, and compensate affected consumers
Coles Myer	Obtained withdrawal of allegedly misleading advertising and promotional material for a credit card linked to petrol price discounts
David Tweed and National Exchange Pty Ltd	Federal Court found his below-market offers for shares in Aevum Ltd not in breach of the ASIC Act even though unconscionable and predatory
Gabby Haddad	Banned for issuing insurance when not licensed

Some 27 people were banned or otherwise excluded from the financial services industry.

## Stopped more illegal investment schemes

We acted against 102 schemes or companies (up 34%) for illegally raising funds or running investment schemes, involving around 5,000 investors and \$788 million.

In addition to the major Westpoint investigation, other matters included:

Mercorella investment scheme	Wound up 10 companies associated with this \$236 million ‘Ponzi’ scheme that offered between 3% and 6% per month (or 42%–101% per year)
Arafura Equities	Shut down this \$18 million scheme that promised some 200 investors interest payments of 60% per year
Primelife Corporation Limited	Obtained final orders to wind up its \$152 million unregistered managed investment schemes

## Auditor regulation

We caused 8 auditors and 6 liquidators to be disciplined or to surrender their registration for misconduct. Another was disciplined for not complying with administrative requirements.

## Increased criminal matters

New criminal litigation increased from 61 to 74 matters, up almost 21%.

A higher number of criminal proceedings remained uncompleted in the courts, partly resulting from more complex and strongly contested litigation. We had 27 criminals convicted, including 17 jailings for serious fraud or dishonesty. Cases included:

Superannuation fraud	Chad Timmins defrauded people through the early release of preserved superannuation. 3 years 3 months jail, suspended after 10 months
Investment fraud	Elizabeth Heather Parry used around \$6 million from investors for personal purposes. 10 years jail, with a minimum of 4 years
Dishonest company officer	Anthony Oates used his position as an officer of Bell Resources to gain an advantage for Bond Corporation Pty Ltd. 3 years 4 months jail

## Civil action and compensation

We obtained compensation, refunds, fines and costs of \$144 million, and had assets worth over \$71 million frozen for investors and creditors.

ASIC took 102 civil proceedings to stop misconduct, protect assets or obtain remedial or protective orders and fines, with orders against 230 people or companies. We accepted 16 enforceable undertakings affecting 27 entities, with another 20 formal settlements.

## 44 company directors and officers banned

44 directors were banned for a total of 195 years. A further 27 people were automatically disqualified from managing corporations, arising from convictions ASIC obtained. Cases included:

Dennis Howell Terracini	Permanent ban for illegal fundraising, misleading and deceptive conduct and contraventions of director's duties
Dennis Ralph Anthony and Martin Lloyd-Cocks	25 year bans for offering securities without a disclosure statement
George Saada	5 year ban for failing to assist liquidators; failure to produce companies' books and records

## Outlook

Additional staff and funding will increase our ability to enforce the law.

We will:

- deal effectively with high priority enforcement actions, including investigations into Westpoint, James Hardie, One.Tel and Offset Alpine Printing
- contribute to early and effective regulatory interventions to respond to losses and misconduct related to complex financial products
- work to ensure important or urgent matters are identified and actioned quickly.

# Protecting consumers

## Overview

100 staff:

- tackled issues affecting consumers through compliance, policy and educational work
- assessed 12,075 reports of crime and misconduct
- managed 2,018 applications about property of deregistered companies.

KEY RESULTS	This year	Last year	% change
Reports of crime and misconduct assessed	12,075	10,752	+12%
Visits to our consumer website FIDO	785,000	615,000	+28%
Consumer warnings and alerts issued	27	23	+17%

### Superannuation choice

To help prevent widespread mis-selling when employee superannuation choice began on 1 July 2005, ASIC staff worked to let industry know the standards expected and to track compliance.

We also randomly ‘shadow shopped’ 259 financial advisers who had advised consumers about super. While 80% of advice met legal standards, we found too many cases of unreasonable advice, especially where the adviser could get higher remuneration if their recommendation was followed, or the recommended product was associated with the adviser’s licensee. We are following up problems with the businesses concerned.

We monitored superannuation advertising, and stopped misleading and deceptive advertising in 5 cases.

ASIC also contributed significantly to the government education campaign. We contributed staff and wrote scripts for the government call centre and the Super Choice website. *Super Choices*, the key government publication, was distributed to about 1.4 million people. There were 120,000 visits to our online superannuation calculator.

### Financial services

By watching emerging consumer trends and using feedback from consumers, we identified key projects designed to draw public attention to important issues and to trigger changed behaviour.

Under-insurance	Our report on under-insurance following the Canberra bushfires led various major insurers to change their online calculators to give home owners more realistic estimates of rebuilding costs
Aboriginal communities	Persuaded the Commonwealth Bank to review 400 loans and implement new lending procedures after an extensive review found some loans left Aboriginal borrowers overcommitted
Reverse mortgages	Stopped misleading and deceptive conduct, reported on benefits and risks, released consumer information sheets and a reverse mortgage calculator
Debt collection	Issued guidelines jointly with the Australian Competition and Consumer Commission on debt collection practices. Issued a report about debt collectors making demands for payment of old debts. It showed they must do more to avoid potential breaches of the law





## More action on reported crime and misconduct

We published an online questionnaire to collect information and complaints from Westpoint investors. We received 1,818 responses concerning approximately \$230 million invested, which helped focus our investigation and consumer information.

ASIC encouraged people to report suspected misconduct, and we dealt with 12,075 complaints, up 12%. Despite increased numbers, we finalised 81% in 28 days, well ahead of our 70% target.

Resolved, mainly through getting information people needed or by getting companies or company officers to comply	51%
Investigated or conducted surveillance	17%
Identified no offences or lacked jurisdiction to act	14%
Analysed, assessed and recorded	18%
<b>Total</b>	<b>100%</b>

In direct response to complaints, we sent over 800 warning letters to company directors and achieved overall compliance in 79% of cases. A further 502 company officers were prosecuted for 920 offences, most commonly involving conduct aimed at thwarting company creditors. Penalties included 2 community service orders, 35 good behaviour bonds, total fines and costs of \$1.05 million and disqualifications from managing corporations.

Liquidators, administrators and receivers lodged 7,292\* reports. Of these, 5,796\* reported suspected misconduct, up 7%.

Analysed, assessed and recorded	83%
Reports triggering further inquiries	14%
Resolved†	2%
Referred for compliance, investigation or surveillance	1%
<b>Total</b>	<b>100%</b>

\* More than one report may be lodged about a single company or entity.

† Last year, due to an analytical error, we stated 7% of reports were resolved; it was in fact 1%.

## Consumer education increased

To help consumers become better informed and more confident in using financial products and services, we increased our educational activities.

We issued 27 consumer alerts and warnings about financial issues and scams. We produced a 7-part radio series about money for 120 community radio stations.

Our consumer website FIDO received 785,000 visits, up 28%. (Our target of 1.2 million visits envisaged a major government financial literacy campaign would have been launched before July 2006.) Using expert actuarial advice and feedback from industry associations, we published new calculators for allocated pensions, term allocated pensions, reverse mortgages, and risk and return.

To help Australia's Aboriginal consumers, often victims of poor financial practices, we launched *Super and Us Mob*, to coincide with Super Choice, and a comprehensive guide on 'book up' (used by traders to allow consumers to purchase goods on credit). We also appointed our first Aboriginal field worker.

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

## Outlook

We will do more to protect and educate consumers, and maintain our strong standing among global regulators, especially in our region.

We will:

- help improve the quality of retail-level advice and disclosure
- contribute to earlier action against illegal investment schemes.

### Consumer Advisory Panel report

In May 2006, I commenced my role as Chair of ASIC's Consumer Advisory Panel.

The Panel and I would like to thank the outgoing Chair, Fiona Guthrie, and retiring members, Bob Andrew and Jan Pentland, for their outstanding commitment and contribution to the Panel's work.

During the past year the Panel met four times. We advised ASIC on consumer issues and commented on ASIC's consumer protection activities. ASIC kept the Panel informed about its work and reported back on issues Panel members raised.

Members raised a broad range of issues, including consumer finance, particularly Aboriginal lending and 'low-doc' lending, conflicts of interest for financial advisers, high yield investments, debt collection, equity release products and financial literacy.

The Panel made specific recommendations to ASIC about funding of research and submissions for consumer protection. Three projects were funded:

- a report on the 'Treating Customers Fairly' initiative recently implemented under UK legislation
- a survey of the experiences of consumers re-financing their personal and household debt
- reprinting ASIC's *Book Up* guide for Aboriginal communities, which was initially developed in conjunction with the Panel.

Jenni Mack, June 2006  
Chair, Consumer Advisory Panel

### Consumer Advisory Panel Members

Jenni Mack (Chair)

Carolyn Bond, Consumer Credit Legal Service (Vic)

Nick Coates, Australian Consumers' Association

David Jackson, Australian Shareholders' Association

Elena Marchetti & Nicola Howell, Centre for Credit and Consumer Law

Wendy Schilg, National Information Centre on Retirement Investments

Leigh Shacklady, financial counsellor, Tangentyere Council, Alice Springs

David Tennant, Director, CARE Financial Counselling Service (ACT)

#### Retiring members

Fiona Guthrie (Outgoing Chair)

Bob Andrew, Australian Investors' Association

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

**FROM LEFT TO RIGHT:** Bob Andrew, Stuart Wilson (Australian Shareholders' Association), Jenni Mack, Wendy Schilg, Leigh Shacklady, Carolyn Bond, David Tennant, Nick Coates, Nicola Howell



# International cooperation

## Overview

8 staff\*:

- managed an increasing number of requests for assistance among regulators worldwide
- coordinated ASIC's contribution to stronger international cooperation.

\* organisationally part of our Consumer Protection directorate

### KEY RESULTS

Overseas regulators requested our assistance  
ASIC requested overseas assistance

This year	Last year	% change
549	*509	+8%
146	*200	-27%

\* Last year's numbers restated to make calculation consistent

International requests for enforcement and other assistance between regulators grew strongly, with a total of 695 inward and outward requests for international assistance.

### International cooperation

We served as an active member of the International Organization of Securities Commissions (IOSCO) and participated in its Executive and Technical Committees. We chaired the IOSCO taskforce about auditor independence in providing non-audit services and co-chaired another about implementing requirements for major listed entities to have independent directors.

Through IOSCO's Asia Pacific Regional Committee, we hosted a working group on regulating cross-border collective investment schemes, and seconded staff from the region who observed how Australia regulates securities and financial services.

To promote more consistent regulation between Australia and New Zealand, we signed a new Memorandum of Understanding with the NZ Securities Commission, held 3 meetings at Commission level, and also signed an MoU with the NZ Registrar of Companies.

### Australia's financial sector assessed

The International Monetary Fund and the World Bank assessed the strength of Australia's regulatory and financial system, through their Financial Sector Assessment Program. Other countries in our region that have already been assessed include Hong Kong, New Zealand, Japan and Singapore. Australia's assessment report is expected later in 2006.

## Outlook

We will manage the international issues affecting our domestic activities and extend assistance in our region.

# Promoting compliance

## Overview

187 staff\*:

- promoted compliance with the law by 4,415 licensed financial services businesses, their representatives and employees
- monitored Australia’s capital markets to ensure that corporations, directors, advisers and market participants complied with the law.

\* includes 24 staff working on corporate insolvency located in our Operations directorate

KEY RESULTS	This year	Last year	% change
On-site compliance reviews of licensees completed	837	703	+19%
Full inspections of audit firms	10	4	+250%
Financially troubled companies visited	536	488	+10%
Additional disclosures to the market obtained	32	71	-55%
Corrective disclosure achieved in prospectuses	68	72	-6%
Corrective disclosure achieved in product disclosure statements	25	18	+39%

### Superannuation choice and fund switching

Shortly after Super Choice came into effect, we reported on how selected businesses had been advising their clients about switching super funds. Much of the advice revealed little or no consideration of the client’s current fund, and strongly tended to recommend clients switch to a fund related to the licensee.

We conducted an extensive surveillance of AMP Financial Planning Pty Limited’s (AMPFP) operations between October 2005 and April 2006. We found that on many occasions, AMPFP:

- planners’ files did not disclose a reasonable basis for advice
- failed to make proper disclosures about the costs of acquiring the recommended product and the significant consequences of replacing the existing product
- made statements that suggested AMPFP Planners could consider a broader range of products than permitted, which could have misled consumers
- may not have had adequate arrangements in place to manage conflicts of interest.

In July 2006, we accepted a legally binding commitment from AMPFP to modify key aspects of how it advises its customers.

We began proceedings against First Capital Financial Planning Pty Ltd for not giving their clients essential information about the super fund that First Capital was recommending.

We reviewed 100 superannuation product disclosure statements and secured numerous improvements to the quality of disclosure. We stopped a number of misleading fund advertisements. For example, Navigator withdrew its campaign because of our concerns about how the advertisement compared Navigator's returns with an unnamed industry fund.

### Financial services

We maintained constructive pressure on the industry to improve standards, focusing much attention on how the industry dealt with conflicts of interest. Since January 2005, all financial services licensees must have adequate arrangements to manage any conflicts of interest that arise in providing financial services.

BBY Limited, stockbrokers	Imposed a licence condition because the company did not have adequate arrangements for managing conflicts. The company must engage a consultant to review its compliance arrangements and take necessary corrective steps
---------------------------	---

Investment banking	Examined conflict handling procedures at two investment banks. Contributed to a paper for discussion about managing conflicts
--------------------	---

The BBY Ltd action and our discussion paper led a number of other licensees to review their practices in handling conflicts between their corporate advisory and proprietary dealing desks.

Licensees must notify ASIC if they breach conditions of their licence. To assist the industry generally, we published a guide that explained what ASIC does with the breach notifications and a form for notifying breaches. We identified 100 licensees who had not reported any breaches, and reviewed their procedures.



### **Deterring insolvent trading**

The government granted ASIC additional funds to pay liquidators of assetless companies to report and document suitable cases for banning directors of failed companies or for enforcement action against phoenix activity, directors duty breaches or insolvent trading.

For potential banning actions, we visited 120 insolvency firms to explain the new arrangements, and received 141 funding applications. Phoenix activity, directors duty breaches and insolvent trading cases may require more detailed investigation. We expect to receive our first applications in 2006–07.

To help companies deal promptly with financial difficulties, staff visited 536 potentially troubled companies. (Since this program began, we have reviewed 1,634 companies.) After these visits from our insolvency specialists, many companies restructured, refinanced, or introduced turnaround strategies with professional advice. This year 95 companies had an insolvency practitioner appointed after our visits, including Australis Mining Corporation Ltd, Oak Park Constructions Ltd, and Neolido Holdings Pty Ltd.

### **Auditor compliance and international accounting standards**

Audit standards now have the force of law. Our first on-site inspections of the four major audit firms (who audit 54% of all entities listed on the Australian Stock Exchange) found no breaches of the law. We did suggest some improvements in the arrangements of each of the firms.

We expanded our activities to include systematic surveillances of mid-tier audit firms and also reviewed issues of auditor quality in addition to audit independence. We accepted enforceable undertakings from PKF Melbourne auditors and PKF Victoria in relation to audits carried out in relation to Poltech International Limited and Astro Mining NL.

We also undertook surveillance of listed entities' accounts, and found that listed entities were generally well prepared for the transition to international accounting standards.

### **Better disclosure for investors**

We obtained better disclosure in offer documents seeking a total of \$10 billion in capital, including four out of the five largest initial public offerings.

We warned issuers about the excessive length and complexity of disclosure documents. Some documents have been 200 pages or more long. Recognising that issuers and advisers must re-think how they write their documents, we discussed with issuers how to make them shorter and more understandable.

We stopped offer documents that were not clear, concise and effective, and obtained corrective disclosure for consumers and investors in 92 prospectuses and product disclosure statements.

### Action on high-yield investments

High yield fixed interest investments, involving high risk activities like property development, were aggressively marketed to retail investors. Although lawful, such marketing increased the risk of mis-selling.

We obtained court orders against Fincorp Investments Limited requiring the company to offer certain investors all their money back, including accrued interest, and we also required Fincorp to correct its advertising.

We also examined other debenture issuers and mortgage funds, including Sovereign Capital Limited, City Pacific Limited, Australian Capital Reserve Limited and Bridgecorp Finance Limited.

## Outlook

---

By influencing those who participate in the capital markets and the financial services industry, we will promote lawful behaviour and raise ethical standards.

We will:

- develop early and effective regulatory interventions to respond to losses and misconduct related to complex products
- improve the quality of retail-level advice and disclosure
- carry out the new corporate insolvency reforms
- more effectively coordinate intelligence.

# Regulatory work

## Overview

137 staff, including the Office of Chief Accountant:

- developed policy and researched emerging issues in the market
- regulated Australia’s 15 licensed financial markets and 5 clearing and settlement facilities
- licensed 428 new financial services businesses and registered 499 new managed investment schemes
- considered 3,405 applications for relief from the law and granted 2,565.

KEY RESULTS	This year	Last year	% change
Policies and guidance documents issued	22	29	-24%
Commercial relief applications approved	2,565	2,993	-14%
Assessments of authorised financial markets completed	*19	10	+90%
Australian financial services licences issued	428	401	+7%
Managed investment schemes registered	499	590	-15%
Takeovers and schemes of arrangement assisted	98	100	-2%
* Increase resulted largely from timing of assessments			

## Financial services

The government and ASIC worked together on important refinements to financial services regulation, to benefit consumers and reduce unnecessary burdens on industry. We issued guidance to consolidate these reforms to the financial services industry and to prepare for Super Choice.

Simpler statements of advice	A guide and sample statement of advice issued which illustrated how it could be done while meeting legal requirements
Online calculators	Relief granted so they can be offered without issuing formal statements of advice to every user
‘General advice only’ warnings	Relief granted so product issuers and advisers can give simpler warnings when they give general, but not personal, advice for example through call centres or the media
Non-cash payment facilities	A guide and some relief granted, notably for low-value facilities, gift cards, prepaid mobile phone accounts and loyalty schemes
Conflicts of interest	A discussion paper on managing conflicts of interest in the financial services industry
Better prospectuses	Draft policy for issuers and advisers, including guidance on clear, concise and effective disclosure
Super Choice	A guide for financial advisers when giving personal advice on switching super funds



## Auditor regulation

Following major corporate failures, new and more demanding standards for company auditors were introduced. To promote compliance, we:

- worked with the Auditing and Assurance Standards Board to prepare auditors for revised audit standards that will be legally enforceable after 1 July 2006
- explained when ASIC may grant relief from the legal obligations requiring rotation of company auditors
- communicated results from our inspections of company auditors
- contributed to the Financial Reporting Council's work in monitoring standard setting and auditor independence.

We also worked with our counterparts in other countries to streamline regulation of cross-border audit activity. To share information, Australia hosted a roundtable of 12 international audit regulators in March 2006.

## New international financial reporting standards

New financial reporting standards came into effect for financial years commencing 1 January 2005. The transition was generally well managed. We worked closely with government, standard setters and industry.

We encouraged companies to focus on the transition process and monitored the transition through our surveillance of listed entity financial reports, and communication with industry.

## Markets regulation

On our advice, the Minister granted 3 new licences, including to the Chicago Board of Trade.

We assessed 19 markets and clearing and settlement facilities, including the Australian Stock Exchange (ASX) and Sydney Futures Exchange (SFE). These reports were made public. Overall we found that market licensees have adequate supervision structures and procedures, and that there can be a high degree of confidence in their ability to operate their markets in a fair, orderly and transparent manner.

The ASX and SFE announced they intended to merge (subsequently did so in July 2006). We

will be having detailed discussions with ASX as the merger is implemented to ensure that Australia's most important markets remain well supervised and regulated.

Overall, we regulated 15 authorised financial markets, and 5 licensed clearing and settlement facilities.

## Licensing streamlined

We launched a new financial services licensing kit and streamlined licence applications, reducing the paperwork required by more than 50%. In making these changes, we maintained the standards required of licence applicants.

We issued 428 new licences, approved variations to 611 existing licences and were notified of 1,605 changes in responsible officer.

## Applications and advice

We considered 3,405 applications for relief from the law (and granted 2,565) from businesses of all sizes to alleviate unintended consequences if the law were strictly applied. Applications commonly concerned:

- schemes of arrangement, takeovers and other changes of corporate control
- fundraising and stapling of securities
- making financial services laws operate more smoothly.

To increase transparency and better inform people about decisions we make, we reported on a number of recent decisions on applications for relief by financial service providers. Next year, we will extend the types of matters we report on.

## Outlook

Better regulation can maintain standards and protect Australians, while allowing companies and financial services businesses to operate profitably.

We will:

- improve ASIC's accessibility, transparency and engagement with all the stakeholders in our broad and complex regulatory environment
- rationalise and redesign our regulatory documents.

# Operations, public information and staff

## Overview

480\* staff:

- maintained Australia’s public database of 1.5 million companies
- managed information technology, human resources, planning and project services.

\* Includes 26 full-time graduates working for other directorates and excludes 24 staff working on corporate insolvency work described on page 28.

KEY RESULTS	This year	Last year	% change
Searches of ASIC databases (free and paid)	45 million	36 million	+25%
Company data lodged on time	94%	94%	steady
New companies registered	121,298	121,463	steady
% documents lodged electronically	71%	69%	+3%
Telephone inquiries answered	770,000	784,000	-2%
Fees and charges raised for the Commonwealth	\$543 million	\$531 million	+2%
ASIC staff employed	1,471	1,570	-6%

### More use of online public information

People conducted 45 million free and paid searches of our databases, up 25%. Continuing demand for online services over recent years contributed to the closure of our four smallest service centres (foreshadowed in last year’s report). We replaced our mainframe to meet this demand.

The total number of companies registered in Australia increased 4% to 1,480,684 and the number of new companies formed was steady compared with last year. (The government’s decision to reduce the one-off fee for registering a company from \$800 to \$400 from July 2006 may encourage more companies to be formed.)

### Maintaining quality company data

To maintain quality data, 51,624 companies were targeted to ensure compliance with the law. Some 502 civil actions were undertaken to ensure lodgement of financial reports by large proprietary companies, managed investment schemes, foreign companies, and unlisted public companies. We also acted to require companies to appoint at least

the minimum number of officeholders and to remove bankrupt officeholders. We began deregistration of 26,915 companies that failed to pay their annual review fee.

We processed 91% of key documents (company registration, critical changes and creation of company charges) within 48 hours, above our target of 90%.

### Super Choice and helping people over the phone

Our client call centre backed up the government’s main superannuation choice enquiry line by handling calls that came direct to ASIC. We also helped write the scripts used by all agencies on Super Choice.

We set up special 1300 numbers to assist people who had lost money through the Westpoint collapse and those affected by Cyclone Larry.

Overall, we assisted 770,000 people over the phone on all the matters for which ASIC is responsible.

## Developing our people

To develop our managers and leaders, some 200 managers participated in management development workshops and 70 high potential employees attended the Mt Eliza executive development program.

We also worked to make ASIC's increased investment of \$1.2 million in staff development more cost-effective. Overall, we delivered 92 development programs, with 6,074 attendances.

We expanded our graduate recruitment program with 26 new graduates participating in a 12-month rotation program.

## Improved safety at work

Overall, fewer staff were hurt at work, and those who did were helped more promptly and were able to return to work more quickly. Incidents reported fell 6% to 63, generally involving minor injury, with 140 days lost. The cost of claims fell 51%, and the number of claims fell 43%. ASIC's insurance premium of 1.20% of annual payroll compared favourably with Comcare's standard agency rate of 1.77%.

A new occupational health and safety (OHS) and workers' compensation unit managed injury claims and coordinated safety at ASIC, including:

- quarterly OHS risk assessments at all sites
- ergonomic assessments, screen-based eye tests, and other protective measures
- quarterly employee wellness expos
- OHS awareness.

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

## Equal opportunity and merit

ASIC is an equal opportunity employer. Excluding contractors and agency temporary employees, women made up 43% of our executives, senior executives and Commissioners, up from 40%, and comprised 57% of our employees (unchanged).

Classification	Gender	This year	Last year
Commissioners	Female	1	1
	Male	2	2
Senior Executive Service*	Female	13	14
	Male	14	20
Senior operational staff (EL1 and EL2)	Female	243	230
	Male	327	341
Operational and support (ASIC 1–4)	Female	532	584
	Male	255	268
Other	Female	9	8
	Male	15	11
Contractors and agency temporary employees		60	91
<b>Total</b>		<b>1,471</b>	<b>1,570</b>

\* refers only to Senior Executive Service staff under the Public Service Act

Under a joint Women in Law Enforcement Strategy, 7 female ASIC staff joined a one-year mentoring program with mentors from other agencies, and a Commissioner and 6 ASIC senior managers acted as mentors to women from other agencies.

ASIC required that all staff engagements and promotions be conducted in accordance with the merit principle and the APS values.

We participated in the Commonwealth strategy to ensure access to recruitment, training and grievance procedures for people with disabilities, see page 49.

### Industrial and workplace relations

Staff supported a new Certified Agreement that took effect from August 2005. About 46% of staff are employed under Australian Workplace Agreements.

Staff were represented either through their union or staff representatives. ASIC also convened a National Consultative Committee about workplace issues. No industrial disputes occurred.

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

### Employee profile

Our employee profile reflected our need for skilled, professional people, typically investigators, lawyers, accountants, and analysts; information processing and customer service staff; information technology, human resources, financial, business management and communication specialists.

Staff (average full-time equivalents)	This year	Last year
Operational and support (ASIC 1–4)	787	852
Senior operational staff (EL1 and EL2)	570	571
Senior Executive Service	27	34
Others (contractors, agency staff, consultants)	84	110
Commissioners	3	3
<b>Total</b>	<b>1,471</b>	<b>1,570</b>

### Ongoing staff, consultants and contractors

Most staff are ongoing under the Public Service Act. We employed fewer non-ongoing staff (either as contractors or consultants), especially in IT. Non-ongoing staff, contractors and consultants worked on special projects, in specialised areas including law, accounting, and information technology, and for peak workloads in document processing.

Basis of employment	This year	Last year
Public Service Act, ongoing	1,171	1,171
Public Service Act, temporary, most often for peak company data processing	198	262
ASIC Act consultants, for essential specialist services including investigatory, legal, corporate regulatory and accounting functions	39	43
Contractors, mainly in information technology	60	91
Commissioners	3	3
<b>Total (average FTE over the year)</b>	<b>1,471</b>	<b>1,570</b>

ASIC contributed to superannuation through Australian Government schemes, State government schemes for staff who transferred to ASIC in 1991, and private sector schemes for consultants or contractors. See also the financial statements on pages 71 and 81.

### Location of staff

Most staff worked in our Sydney and Melbourne offices, reflecting market and corporate activity. The Information Processing Centre in Traralgon, Victoria, is our third largest office.

State or Territory	This year	Last year
Victoria	629	676
New South Wales	539	587
Queensland	130	131
Western Australia	87	90
South Australia	51	50
Australian Capital Territory	15	15
Tasmania	14	13
Northern Territory	6	8
<b>Total</b>	<b>1,471</b>	<b>1,570</b>

### Information technology reform

During the past two years, we have successfully completed some major IT reform projects. In addition, core technology infrastructure components have been successfully upgraded while maintaining a 99% system availability rate to all technology users.

The IT strategy for the next 4 years has also been developed, and funding secured for the first 18 months of this technology strategy and associated transition.

## Outlook

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

We will:

- drive improvements in our operational performance
- implement reforms to our information technology, IT security and risk management
- develop our employment framework strategy, talent management and succession planning.

# Finance and corporate services

## Overview

117 staff delivered the following services to all ASIC offices:

- finance
- corporate services
- risk management, see page 44
- knowledge management.

KEY RESULTS	This year	Last year	% change
ASIC operating expenses	\$218m	\$208m	+5%

### Major funding boost from government

In the May 2006 budget, we received an additional appropriation of \$235 million over 4 years to:

- ensure that ASIC has sufficient funding to maintain its current regulatory focus: \$71 million
- increase its surveillance capability and develop its presence in relation to non-exchange based market trading: \$29 million
- enhance IT security and risk mitigation: \$14 million
- establish a new electronic registration system for company charges: \$2 million.

The extra funding also included \$30 million per year, set aside over the next 4 years, to investigate and litigate exceptional matters of significant public interest. This funding is available only when the cost associated with an individual enforcement action exceeds \$1.5 million.

### Major property review boosts efficiency

Leased properties comprised our largest single expense, apart from salaries. With an expected increase in staff, we negotiated new leases for 3 of our 4 largest offices to secure efficient use of space.

- **Melbourne:** proposed relocation will replace outdated, inefficient and ergonomically poor fit out. More flexible office layout will accommodate 10% more staff within less space

- **Traralgon:** negotiated significant rent reductions and incentives which will improve facilities and let us relinquish accommodation previously used to hold ASIC’s microfiche records
- **Perth:** reconfigured office layout to accommodate 10% more staff within a reduced space.

As foreshadowed in last year’s annual report, ASIC relinquished office space from closing 4 small service centres in Newcastle, Gold Coast, Geelong and Townsville.

### Better financial management and reporting

We further refined systems and procedures for more timely and accurate reporting and internal budgeting. We reduced the turnaround time for completing our 2004–05 audited financial statements and for developing more accurate internal budgets.

The transition from existing Australian accounting standards to the Australian equivalents to International Financial Reporting Standards (AIFRS) required us to prepare additional note disclosures that detailed the impact that AIFRS would have following their adoption. All transitional adjustments have since been posted to ASIC’s ledger to allow AIFRS compliant comparatives for 2004–05 to be reported in the 2005–06 financial statements.

## Unclaimed money

The amount of unclaimed money collected from banks, life insurance companies and approved deposit-taking institutions amounted to \$176 million in 2005–06 (\$53 million in 2004–05). This increase primarily resulted from two prominent companies rationalising their share registers.

## Oversight and accountability changes

In response to recommendations made by Mr John Uhrig about public sector corporate governance, the government decided that from 1 July 2007 ASIC will operate under the *Financial Management and Administration Act, 1997* (FMA), and not under both the *Commonwealth Authorities and Companies Act 1997* and the FMA Act.

This change will affect procurement, financial delegations, external reporting and other processes. Planning is well advanced to achieve a seamless transition.

## Environmental performance

We have committed ourselves to continuously improving ASIC's environmental performance.

We maintained certification of ASIC's Sydney office to International Standard ISO 14001:2004 *Environmental Management Systems*.

The following targets were set for improved performance in our accredited Sydney site:

- electricity consumption: reduce by 5%
- commingled recycling (glass, aluminium, plastic): increase by 10%
- paper recycling: increase by 5%.

We will implement systems so that ASIC's new Melbourne office can be certified in 2006–07.

## Knowledge management

To build and share the skills and knowledge of our people, we maintained 12 knowledge networks (communities of practice) that met regularly to discuss such specialist areas as managed investments, superannuation, insolvency and compliance. Twenty-four guest speakers from external organisations spoke at network meetings.

## Outlook

To develop a more flexible organisation, we will:

- achieve and maintain adequate funding
- manage our property and facilities to capture greater efficiencies
- extend our environmental management systems.

Motor vehicles	52% of fleet vehicles (an improvement of 14%) and 41% of our senior executive service fleet have a 'Green Vehicle Guide' rating of 10.5 or better. ASIC joined as a supporter of Green Fleet
Paper consumption	Printers set to default duplex printing nationally, reducing paper consumption by 9.7%
Energy consumption	Use per person of 10,429 MJ, higher than target of 10,000 MJ, due to special purpose short-term accommodation. We expect a significant improvement in 2006–07
Recycling	Most sites recycle paper. Some also recycle aluminium, plastics, mobile phones and batteries

# Where ASIC fits in the regulatory picture

Enforcing and regulating broad and complex laws affecting corporations and financial markets, products and services

## Who does ASIC protect?

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

- 15.9 million people with a deposit account
- 10.7 million investing through superannuation or annuities
- 10 million with credit or charge cards including debit only
- 6.6 million with a home, personal or investment loan
- 4 million directly owning shares
- 2 million having invested through a financial adviser
- 1.1 million investing in managed funds.

\* Roy Morgan Research, 12 months to March 2006, people aged 14+.

## ASIC's statutory aims

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

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

## ASIC's legislation

ASIC regulates companies and financial services, and promotes investor, creditor and consumer protection under the *Australian Securities and Investments Commission Act 2001*; *Corporations Act 2001*; *Insurance Act 1973*; *Insurance Contracts Act 1984*; *Superannuation (Resolution of Complaints) Act 1993*; *Life Insurance Act 1995*; *Retirement Savings Accounts Act 1997*; *Superannuation Industry (Supervision) Act 1993* and the *Medical Indemnity (Prudential Supervision and Product Standards) Act 2003*.

## Other financial regulators

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

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

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

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



Who we regulate	How we regulate them
1.48 million companies	<ul style="list-style-type: none"> <li>• Register each company with a unique number, and record the number, name, directors and other information on a public register</li> <li>• Investigate and act against misconduct by company directors and officers</li> <li>• Grant or refuse requests for relief from the law</li> <li>• Receive prospectuses before money is raised</li> <li>• Uphold the law on financial reporting and company mergers and acquisitions</li> </ul>
5,890 company auditors, 747 registered liquidators	<ul style="list-style-type: none"> <li>• Register them before they start operating</li> <li>• Investigate and act against misconduct</li> </ul>
15 financial markets and 5 clearing and settlement facilities licensed by the Minister, including: <ul style="list-style-type: none"> <li>• Australian Stock Exchange Ltd</li> <li>• Sydney Futures Exchange Ltd (subsequently merged with ASX)</li> </ul>	<ul style="list-style-type: none"> <li>• Investigate and act against misconduct by listed companies, brokers and traders</li> <li>• Assess and report to the Minister on market supervisory arrangements</li> <li>• Advise the Minister about rule changes and whether to approve new markets</li> <li>• Monitor what ASX Ltd does as a listed company, and trading in its shares</li> </ul>
4,415 financial services businesses, regulated by ASIC including: <ul style="list-style-type: none"> <li>• fund managers</li> <li>• stockbrokers</li> <li>• financial advisers</li> <li>• insurance brokers</li> </ul>	<ul style="list-style-type: none"> <li>• License them before they start operating</li> <li>• Set standards for education, training and operations</li> <li>• Investigate and act against misconduct</li> <li>• Record their details and their authorised representatives on a public register</li> </ul>
4,310 managed investment schemes, registered by ASIC	<ul style="list-style-type: none"> <li>• Register them before they start operating</li> <li>• Investigate and act against misconduct</li> <li>• Record their details on a public register</li> </ul>
APRA-regulated financial services businesses including: <ul style="list-style-type: none"> <li>• banks and deposit-taking institutions</li> <li>• superannuation funds</li> <li>• life and general insurance companies</li> </ul>	<ul style="list-style-type: none"> <li>• Investigate and act against misconduct affecting consumers or misconduct as corporations</li> <li>• Approve consumer complaints resolution schemes</li> <li>• Report on how they comply with codes of practice</li> <li>• Cooperate with APRA</li> </ul>
Credit providers operating under State and Territory laws	<ul style="list-style-type: none"> <li>• Investigate and act against misleading and deceptive conduct affecting consumers</li> <li>• Cooperate with State and Territory regulators</li> </ul>

# Commissioners and senior management

Members of the Commission directed ASIC's business



## **Jeffrey Lucy, AM**

FCA, FAICD

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

Jeffrey Lucy is a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. He is a board member of the Australian Crime Commission and represents ASIC on the Council of Financial Regulators.

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



## **Jeremy Cooper**

LLB (Hons)(Melb), SF Fin, FAICD

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

Jeremy Cooper is a lawyer and former partner of Blake Dawson Waldron where he was involved in many major corporate transactions, including takeovers, reconstructions, ASX listings and capital raisings. He has been a member of the Law Council's Corporations Committee since 1995 and is a regular speaker and press commentator on corporate law and financial services market issues.



## **Malcolm Rodgers**

BA (Hons), LLB

Acting Commissioner from February 2006 until November 2006 or until a permanent appointment is made.

Malcolm Rodgers is ASIC Executive Director, Regulation, appointed in 2005. See page 30 for the scope and activities of his directorate. He previously served as an acting Commissioner in 2004. He has extensive experience in regulation.



### **Berna Collier**

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

ASIC Commissioner from November 2001 until she left ASIC in February 2006 to become a Judge of the Federal Court of Australia.

Professor Berna Collier is a lawyer, specialising in commercial and insolvency law and was previously Professor of Commercial Law at the Queensland University of Technology.

## **Senior management team**

ASIC's Executive Directors led directorates that carried out our operational work and contributed to meeting our overall objectives and priorities.

<b>Executive Director</b>	<b>Directorate</b>
Jan Redfern, a lawyer with extensive public and private sector experience, appointed 2003	Enforcement
Malcolm Rodgers, see under Commissioners	Regulation
Jennifer O'Donnell, extensive experience in compliance and regulation, appointed 2005. She is also NSW Regional Commissioner	Compliance
Greg Tanzer, a lawyer with extensive regulatory experience, appointed 2004. He is also Queensland Regional Commissioner	Consumer Protection
Mark Drysdale, experienced in corporate management and regulation appointed 2005. He is also Victorian Regional Commissioner	Operations
Carlos Iglesias, an accountant, with extensive experience in corporate management and information technology, appointed 2005	Finance

ASIC Executive Directors:  
**FROM LEFT**, Malcolm Rodgers, Jan Redfern,  
 Greg Tanzer, Jennifer O'Donnell,  
 Carlos Iglesias. **ABSENT**: Mark Drysdale



# ASIC governance

## A robust and effective system of accountability and control

ASIC governance has proved thorough, robust and effective. Internally, 3 full-time Commissioners directed ASIC’s complex and wide-ranging activities. Externally, ASIC is accountable to Parliament and the responsible Minister, to judicial and administrative review and to the public through the media and consumer and business associations.

To supervise ASIC’s operations, the Commission has adopted governance practices that meet high standards. The Commission’s leadership structures, consultative arrangements and disclosure practices ensure that its powers are exercised subject to its priorities and policies, to the benefit of the community and with as much transparency as the law allows.

### Role of Commissioners

Commissioners set national priorities, appointed and evaluated the performance of executive directors, and approved delegations, budgets and business plans for each directorate.

Through day-to-day contact with executives and staff, and through written reports, Commissioners stayed informed about operational performance, finance, human resources and information technology. A Commissioner also participated in the Audit Committee, see page 47.

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

The Commission held 26 formal meetings.

Commissioner	Eligible to attend	Attended
Jeffrey Lucy	26	21
Jeremy Cooper	26	26
Berna Collier	16	16
Malcolm Rodgers (acting)	9	9

Executive Directors and General Counsel also attended Commission meetings.

### ASIC management

Commissioners and relevant senior executives made decisions and set priorities in major enforcement and regulatory matters through our National Enforcement Conference and Regulatory Policy Group.

The Commission has also delegated various powers and functions to Executive Directors and staff reporting to them, to ensure that ASIC’s business is carried out efficiently and effectively. Delegations were reviewed regularly and the Commission required its delegates to act in accordance with policies and procedures approved by the Commission.

### Commissioners’ appointment and remuneration

The Governor-General, on the nomination of the Treasurer, appointed ASIC Commissioners. Commissioners are appointed on fixed terms that may be terminated earlier only for reasons set out in section 111 of the ASIC Act.

The Treasurer may nominate as Commissioners only people who are qualified by knowledge or experience in business, administration of companies, financial markets, financial products and financial services, law, economics or accounting. The Remuneration Tribunal set Commissioners’ remuneration, which is not linked to their performance, see also page 91.

## Reporting to Parliament

ASIC appeared before Commonwealth Parliamentary Committees on 8 occasions: Parliamentary Joint Committee on Corporations and Financial Services (4), Senate Economics Legislation Committee (3), and the Joint Standing Committee on Public Works (1). We also appeared before the Victorian Parliament's Economic Development Committee.

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

## Relationship with the responsible Minister

The Ministers responsible for ASIC are the Treasurer, the Hon Peter Costello MP and, in matters determined by him, the Parliamentary Secretary to the Treasurer, the Hon Chris Pearce MP.

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

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

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

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

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

In addition, Commonwealth Ministers and departmental Secretaries from time to time asked ASIC, along with other agencies, to conform to government policies affecting our general administration, for example, referring to particular sources of government information when publishing ASIC information for small businesses.

## Relationship with States and Territories

The Commonwealth assumed responsibility for corporate regulation from the States and the Northern Territory in 1991, under arrangements agreed (and subsequently revised) as set out in the *Corporations Agreement 2002*.

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

- consult the relevant State or Territory Minister in appointing Regional Commissioners
- maintain offices in each State capital and Darwin, and maintain certain minimum service levels in each State and the Northern Territory
- maintain regional liaison committees in each State and the Northern Territory to consult the local business community, and use our best endeavours to have a Commission member present at those meetings, see page 46.

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

# Managing risk

## High standards of risk management

ASIC retained its highest five-star rating for its risk management practices following our insurer Comcover's risk management benchmarking in 2005. In late 2005, ASIC was also recognised for our comprehensive and mature approach to risk management and awarded the 'Award for Excellence in Risk Management' for a second time. The Commission and Executive Directors regularly reviewed key risks and how we manage them.

### Staff ethics

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

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

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

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

### Complaints about staff

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

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

### Confidentiality, privacy and security

ASIC receives extensive information that it must protect from unauthorised disclosure. All staff, immediately on joining, must sign an acknowledgement of various laws relating to the use and disclosure of information, confidentiality and official secrets. If they occupy positions of trust, they must undergo a security assessment. Our policies and procedures also respected the privacy of personal information we received.

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

### Fraud control

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

## Audit

The Commission appointed an internal audit manager who reported to the Commission's Audit Committee. The Audit Committee examined internal and external audit matters and risk assessment, see page 47.

The majority of Audit Committee members (including the Chair) are independent of ASIC. The Committee's charter conforms with the Australian National Audit Office guidelines. The Commonwealth Auditor-General audited ASIC's financial statements, see page 54.

## Disclosure

To operate transparently, while protecting confidential information, ASIC:

- complied with the *Freedom of Information Act 1982*, see page 48
- met high standards of disclosure through its annual report, see inside front cover
- issued media releases, subject to written guidelines, about enforcement and regulatory issues, respecting the rights of people subject to investigation or administrative action
- updated information in publications and daily on our websites, see inside back cover for web addresses.

## Insurance and indemnities

Consistently with the Commonwealth Authorities and Companies Act, ASIC:

- paid a premium of \$68,724 (excl. GST) for directors and officers' insurance which covered all current and former Commissioners and ASIC staff members for liabilities, including legal costs, incurred by them in the performance of their duties, and
- provided indemnities to Commissioners for liabilities, including legal costs, incurred by them in the course of their duties. (No reimbursements for legal or other costs were made under those indemnities.)



# Community and regional involvement

Involving our stakeholders in our work

**Increased consultation with business**

We formed a new Business Consultative Panel, comprising senior business representatives, to meet Commissioners in Sydney and Melbourne to help us identify emerging risks and trends in the market, see page 9.

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

**Listening to consumers**

We funded a 10 member Consumer Advisory Panel including consumer and investor advocates experienced in financial services and an independent chair. The panel recommended

research, alerted us to issues and commented on policy affecting investors and consumers. Read the Panel's report on page 24. We also consulted other investor and consumer organisations.

**Serving Australia's regions**

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

Regional Liaison Committees representing the business community met about 4 times each year, received information on our performance and service, and offered ideas. A Commission member usually attended these meetings.

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

**Keeping stakeholders informed**

Senior ASIC staff gave almost 300 presentations to an estimated 21,000 people from the markets, financial services industry, companies, government agencies and consumer groups about how to comply with the law and how the law protects users of financial markets, products and advice.

**Schools competition expanded**

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



# Audit Committee and Audit, assurance and compliance services

## Strengthening the integrity of internal controls

The Audit Committee, under a charter agreed between the Committee and the Commission, assisted Commissioners to maintain and improve:

- the effectiveness and integrity of ASIC's risk management and internal control frameworks
- the credibility, objectivity and quality of ASIC's financial reporting processes and financial statements
- ASIC's compliance with relevant legislation.

The Committee reviewed ASIC's 2005–06 financial statements and provided a degree of assurance to the Commissioners before they signed those statements. The Committee contributed to developing ASIC's risk management framework.

The Committee met four times during the year.

Members	Eligible to attend	Meetings attended
Robert Savage, appointed March 2000, Chairman January 2005	4	4
Robert Lynn, appointed March 2002, Deputy Chairman January 2005	4	4
Byram Johnston, appointed January 2005	4	4
Jeffrey Lucy, appointed February 2006, ASIC Chairman	2	1
Angus Dale-Jones, appointed May 2005, ASIC WA Regional Commissioner	4	4
Berna Collier, appointed March 2002, ASIC Commissioner, resigned February 2006	2	2

The Audit Committee Chairman and Deputy Chairman and one other member are independent, appointed from outside ASIC. All three independent members are Chartered Accountants and company directors who have significant financial and business experience. The third independent member, Mr Johnston, is also an independent member of ASIC's newly-constituted IT Board.

The internal appointees comprise ASIC Chairman Jeffrey Lucy representing the Commission and Regional Commissioner Angus Dale-Jones.

The Committee sent a report to the Commission after each meeting and the Chairman of the Committee met separately with the ASIC Chairman on several occasions.

Key internal audits conducted included reviews of ASIC's business continuity management

arrangements, payroll, revenue and debt management, IT assets leasing arrangements, capitalisation of internally developed software, effectiveness of the external running cost program and the controls around the receipt, allocation and management of complaints. ASIC's Audit, Assurance and Compliance unit conducted most reviews, and KPMG (ASIC's outsourced internal audit services provider) conducted the others. The National Manager Audit, Assurance and Compliance reports to the Audit Committee.

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

Robert R Savage  
Chairman, ASIC Audit Committee, July 2006

# Appendices

## In this section

- Publications
- Finance sector levy
- Freedom of information
- Electoral Act disclosure
- Disability strategy report
- ASIC Act disclosure

## Publications

We published the following free publications:

- electronic newsletters: *ASIC News* (regulation and enforcement), *FIDO News* (financial tips and safety checks), *Financial Services Update* (financial services reform); printed newsletters: *InFocus* (company information)
- brochures: *Your Money*, *Super Choices*, *Getting advice*, *Book up*, *You can complain* (last three also in languages other than English)
- comics: *Moola Talk*, *To the Max!*
- annual report, occasional reports, papers and information sheets accessible through our website or Infoline.

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

## Freedom of Information Act 1982

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

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

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

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

As required by section 9 of the FOI Act, we note that you may inspect and purchase by subscription the *ASIC Digest* from Thomson-CPD, phone 1800 036 186. The *ASIC Digest* contains, among other things, policy statements, practice notes, information brochures, media releases, information releases, summaries of most ASIC instruments, class orders, and pro-formas for various types of standard relief.

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

### **Commonwealth Disability Strategy Report**

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

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

- recruitment information was released in accessible electronic format, within 24 hours, or posted out in hard copy on request within 24 hours. No requests were received for other formats
- human resources staff advised managers and recruiters on reasonable adjustments required for job applicants and staff with disabilities (including staff access to training)
- information on disability issues was included in training programs as appropriate
- ASIC also has internal and external grievance procedures, including review of actions under the Public Service Act and appeals to the Australian Public Service Commission. Dispute avoidance and settlement provisions have been included in the ASIC certified agreement. Staff also had access to an Employee Assistance Program. ASIC received no complaints about disability issues.

Finance sector levy

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

Activity	This year \$m	Last year \$m
Consumer protection and policy formulation	6.0	5.4
Investigation and enforcement	9.4	4.5
<i>ASIC sub-total</i>	<i>15.4</i>	<i>9.9</i>
Superannuation Complaints Tribunal	3.4	4.0
Grand total	18.8	13.9

Disclosure under Commonwealth Electoral Act

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

- polling organisations, advertising agencies and media advertising organisations:  
nil (excludes recruitment advertising)
- market research organisations: Roy Morgan \$495,278; Chant Link & Associates \$367
- direct mail organisations: BluePrint Instant Printing Pty Ltd \$27,458 for *InFocus*, commemorative record certificates, brochures and guides; Chandlers \$17,680 for printing and mailing *InFocus*; Commercial Computer Centre \$7,355 and Recall Information Management \$87,191 for the *Business Gazette*; Hermes Precisa Pty Ltd \$337,363 for printing and mailing company annual review statement packs and invoices.

Disclosure under ASIC Act

As required by section 138, we report that ASIC did not exercise its powers under Part 15 of the Retirement Savings Account Act or under Part 29 of the Superannuation Industry Supervision Act. No relevant applications were received.

# Six year summary

	2005–06	2004–05	2003–04	2002–03	2001–02	2000–01
<b>Business data</b>						
Companies (total)	1,480,684	1,427,573	1,359,305	1,299,985	1,251,237	1,224,207
New companies registered	121,298	121,463	122,441	107,917	90,175	76,103
Authorised financial markets	15	13	8	4	4	4
Licensed clearing and settlement facilities	5	5	4	3	3	3
Australian financial services licensees	4,415	4,135	3,853	626	35	n/a
Registered company auditors	5,890	6,173	6,503	7,017	7,113	7,222
Registered liquidators	747	762	758	835	830	858
Registered managed investment schemes	4,310	4,093	3,765	3,487	3,265	2,778
Prospectuses lodged†	808	1,064	1,148	1,658	2,089	2,744
Product disclosure 'in use' notices‡	12,480	12,708	7,563	579	n/a	n/a
Takeovers	60	68	67	55	67	81
<b>ASIC performance data</b>						
Criminals jailed	*17	27	28	29	19	25
Fundraising where ASIC required additional disclosure	\$9,531m	\$6,092m	\$4,095m	\$383m	\$291m	\$409m
Recoveries, costs compensation, fines or assets frozen	\$215m	\$123m	\$121m	\$123m	\$110m	\$121m
% successful litigation††	94%	94%	93%	94%	92%	71%
Litigation concluded	386	193	220	222	205	150
Reports of crime and misconduct	12,075	10,752	9,970	9,292	7,827	6,946
Total searches of ASIC databases (millions)††	45m	36m	36m	27m	21m	16m
% company data lodged on time	94%	94%	92%	93%	93%	93%
Fees and charges raised for the Commonwealth	\$543m	\$531m	\$457m	\$405m	\$379m	\$363m
Staff (average full-time equivalents)	1,471	1,570	1,531	1,396	1,284	1,221
<b>Financial summary (\$m)</b>						
<i>Operations</i>						
Total operating expenses	217.9	208	196.2	172.6	159.9	143.3
Total operating revenue	224.7	208.0	191.3	172.5	154.3	144.2
<i>Financial position</i>						
Current assets	40.9	23.4	23.0	15.6	20.5	15.1
Non-current assets	37.4	34.8	35.2	33.3	27.7	22.1
Current liabilities	58.0	45.9	42.9	29.0	27.5	18.6
Non-current liabilities	9.8	11.2	20.2	20.9	21.6	16.4
Total equity	10.5	1.1	(4.9)	(1.0)	(0.9)	2.2

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

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

\* A number of criminal matters remained uncompleted before the courts, see page 5

†† 2000–01 may understate success rate.

‡‡ Entire series restated, previous data incomplete.

# Financial Statements

for the year ended 30 June 2006

## Contents for the Financial Statements

---

Independent Audit Report .....	54
Statement by Commissioners and Chief Financial Officer .....	56
Income Statement .....	57
Balance Sheet .....	58
Statement of Cash Flows .....	59
Statement of changes in equity .....	60
Schedule of commitments .....	61
Schedule of contingencies .....	62
Schedule of administered items .....	63

## Notes to and forming part of the Financial Statements

---

Note 1: Summary of significant accounting policies .....	68
Note 2: The impact of the transition to Australian Equivalents to International Financial Reporting Standards (AEIFRS) from previous AGAAP .....	76
Note 3: Economic dependency .....	77
Note 4: Operating revenues .....	78
Note 5: Appropriations .....	79
Note 6: Operating expenses .....	81
Note 7: Finance costs .....	83
Note 8: Financial assets .....	83
Note 9: Non-financial assets .....	84
Note 10: Payables .....	86
Note 11: Interest bearing liabilities .....	87
Note 12: Provisions .....	88
Note 13: Cash flow reconciliation .....	89
Note 14: Contingent liabilities and assets .....	90
Note 15: Related party disclosures .....	91

## Notes to and forming part of the Financial Statements

---

Note 16: Remuneration of commissioners and executive officers .....	91
Note 17: Remuneration of auditors .....	92
Note 18: Assets held in trust .....	93
Note 19: Expenditure relating to statutory boards and tribunal .....	93
Note 20: Assets of deregistered companies vesting in ASIC .....	93
Note 21: Average staffing levels .....	94
Note 22: Financial instruments .....	94
Note 23: Income administered on behalf of government .....	98
Note 24: Expenses administered on behalf of government .....	99
Note 25: Assets administered on behalf of government .....	100
Note 26: Liabilities administered on behalf of government .....	101
Note 27: Administered reconciliation table .....	101
Note 28: Administered cash flow reconciliation .....	101
Note 29: Remuneration of auditors – administered items .....	102
Note 30: Assets held in trust – companies unclaimed monies .....	102
Note 31: Assets held in trust – unclaimed monies holding account .....	102
Note 32: Fiduciary monies (other than trust monies) .....	103
Note 33: Fiduciary monies (other than trust monies) security deposits .....	103
Note 34: Special accounts .....	103
Note 35: Administered financial instruments .....	104
Note 36: Events occurring after balance date .....	106
Note 37: Reporting of outcomes .....	107

## INDEPENDENT AUDIT REPORT

**To the Treasurer**

### **Scope**

#### ***The financial statements and Directors' responsibility***

The financial statements comprise:

- Statement by Commissioners and Chief Financial Officer;
- Income Statement, Balance Sheet and Statement of Cash Flows;
- Statement of Changes in Equity;
- 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 2006.

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 Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and the *Financial Management and Accountability Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Commission's financial position, and of its 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 Australian Securities and Investments Commission's financial position as at 30 June 2006 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  
19 July 2006

## Statement by Commissioners and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2006 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.



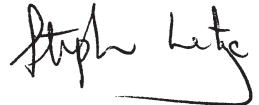
J. J. Lucy  
Chairman  
19 July 2006



J. R. Cooper  
Deputy Chairman  
19 July 2006



M. J. Rodgers  
Acting Commissioner  
19 July 2006



S. D. Lutze  
Chief Financial Officer  
19 July 2006

# Income Statement

for the year ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
<b>INCOME</b>			
<b>Revenue</b>			
Revenues from Government	4A, 5B	213,879	199,200
Sale of services	4B	3,432	3,155
Interest	4C	3,574	2,622
Other revenues	4D	3,796	3,058
<b>Total Revenue</b>		<b>224,681</b>	<b>208,035</b>
<b>Gains</b>			
Net gains from disposal of assets	4E	-	20
Total gains		-	20
<b>Total income</b>		<b>224,681</b>	<b>208,055</b>
<b>EXPENSES</b>			
Employees	6A	127,310	123,858
Suppliers	6B	75,165	69,822
Depreciation and amortisation	6C	15,041	14,012
Net losses from disposal of assets	6D	79	-
Write down of assets	6E	25	232
Finance costs	7	347	549
<b>Total Expenses</b>		<b>217,967</b>	<b>208,473</b>
<b>Operating Surplus / (Deficit)</b>	13, (i)	<b>6,714</b>	<b>(418)</b>

- (i) The operating surplus is after funding specific initiatives for which the Government has provided special purpose funding. In certain cases the special purpose funding was underspent during the financial year, by an amount of \$7.292m.

# Balance Sheet

as at 30 June 2006

	Notes	2006 \$'000	2005 \$'000
<b>ASSETS</b>			
Financial assets			
Cash	8A	35,573	14,907
Receivables	8B	2,991	6,207
<i>Total financial assets</i>		<u>38,564</u>	<u>21,114</u>
Non-financial assets			
Leasehold improvements	9A	10,634	11,046
Plant and equipment	9B	10,859	6,937
Intangibles	9C	15,940	16,879
Other non-financial assets	9E	2,314	2,268
<i>Total non-financial assets</i>		<u>39,747</u>	<u>37,130</u>
<b>Total Assets</b>		<u>78,311</u>	<u>58,244</u>
<b>LIABILITIES</b>			
Payables			
Suppliers	10A	14,295	8,025
Other payables	10B	14,340	9,049
<i>Total payables</i>		<u>28,635</u>	<u>17,074</u>
Interest bearing liabilities			
Leases	11	1,768	4,052
<i>Total interest bearing liabilities</i>		<u>1,768</u>	<u>4,052</u>
Provisions			
Employees	12A	33,545	32,379
Other	12B	3,913	3,575
<i>Total provisions</i>		<u>37,458</u>	<u>35,954</u>
<b>TOTAL LIABILITIES</b>		<u>67,861</u>	<u>57,080</u>
<b>Net Assets</b>		<u>10,450</u>	<u>1,164</u>
<b>Equity</b>			
Contributed equity		14,082	11,510
Reserves		5,254	5,254
Accumulated deficits		(8,886)	(15,600)
<b>Total Equity</b>		<u>10,450</u>	<u>1,164</u>
Current assets		40,878	23,382
Non-current assets		37,433	34,862
Current liabilities		58,026	45,934
Non-current liabilities		9,835	11,146

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

# Statement of Cash Flows

for the year ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
<b>OPERATING ACTIVITIES</b>			
Cash received			
Appropriations	5B	223,161	202,957
Services		4,547	3,470
Interest		3,469	2,622
GST recovered from ATO		9,328	7,970
Other		4,131	3,492
<i>Total cash received</i>		<u>244,636</u>	<u>220,511</u>
Cash used			
Employees		126,144	125,819
Suppliers		80,730	80,073
Finance costs		180	439
Return of appropriation to Government	5B	1,216	-
<i>Total cash used</i>		<u>208,270</u>	<u>206,331</u>
Net cash from operating activities	13	<u>36,366</u>	<u>14,180</u>
<b>INVESTING ACTIVITIES</b>			
Cash received			
Proceeds from disposal of property, plant and equipment	6D, 4E	19	33
<i>Total cash received</i>		<u>19</u>	<u>33</u>
Cash used			
Purchase of property, plant and equipment	9D	16,007	16,371
<i>Total cash used</i>		<u>16,007</u>	<u>16,371</u>
Net cash used by investing activities		<u>(15,988)</u>	<u>(16,338)</u>
<b>FINANCING ACTIVITIES</b>			
Cash received			
Appropriations - contributed equity		2,572	11,508
<i>Total cash received</i>		<u>2,572</u>	<u>11,508</u>
Cash used			
Repayment of finance lease principal		2,284	5,293
<i>Total cash used</i>		<u>2,284</u>	<u>5,293</u>
Net cash from financing activities		<u>288</u>	<u>6,215</u>
<i>Net increase in cash held</i>		20,666	4,057
Cash at the beginning of the reporting period		14,907	10,850
<i>Cash at the end of the reporting period</i>	8A	<u>35,573</u>	<u>14,907</u>

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

# Statement of changes in equity

for the year ended 30 June 2006

	Notes	Accumulated Results		Asset Revaluation Reserve		Contributed Equity/Capital		Total Equity	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Opening Balance	2	(15,600)	(11,103)	5,254	5,254	11,510	2	1,164	(5,847)
Revaluation adjustment	9B	-	(4,079)	-	-	-	-	-	(4,079)
Operating surplus / (deficit)		6,714	(418)	-	-	-	-	6,714	(418)
<i>Contributions by Owners</i>									
Appropriation (equity injection)		-	-	-	-	2,572	11,508	2,572	11,508
<b>Closing balance at 30 June</b>		<b>(8,886)</b>	<b>(15,600)</b>	<b>5,254</b>	<b>5,254</b>	<b>14,082</b>	<b>11,510</b>	<b>10,450</b>	<b>1,164</b>

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

# Schedule of commitments

as at 30 June 2006

	2006 \$'000	2005 \$'000
<b>BY TYPE</b>		
Capital commitments		
Plant and equipment <sup>(i)</sup>	1,090	291
<i>Total capital commitments</i>	<u>1,090</u>	<u>291</u>
Other commitments		
Operating leases <sup>(ii)</sup>	152,850	79,536
Other commitments (goods and services)	219	116
<i>Total other commitments</i>	<u>153,069</u>	<u>79,652</u>
Commitments receivable <sup>(iii)</sup>	(14,134)	(7,233)
<b>Net commitments by type</b>	<u>140,025</u>	<u>72,710</u>
<b>BY MATURITY</b>		
Capital commitments		
One year or less	1,090	291
<i>Total capital commitments</i>	<u>1,090</u>	<u>291</u>
Operating lease commitments		
One year or less	22,274	22,606
From one to five years	73,330	55,189
Over five years	57,246	1,741
<i>Total operating lease commitments</i>	<u>152,850</u>	<u>79,536</u>
Other commitments		
One year or less	219	116
<i>Total other commitments</i>	<u>219</u>	<u>116</u>
Commitments receivable	(14,134)	(7,233)
<b>Net commitments by maturity</b>	<u>140,025</u>	<u>72,710</u>

Note: (i) Outstanding contractual payments for purchases of plant and equipment.

(ii) Operating leases included are effectively non-cancellable and comprise:

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

(iii) 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 2006

## CONTINGENT LIABILITIES AND ASSETS

### Contingent liabilities

There were no quantifiable contingent liabilities as at 30 June 2006 (2005: nil) (Note 14 refers).

CONTINGENT ASSETS	2006 \$'000	2005 \$'000
Receivables <sup>(i)</sup>	1,457	-
<b>Total Contingent Assets</b>	<b>1,457</b>	<b>-</b>

- (i) ASIC is currently renegotiating the renewal of an office lease rental agreement. It is probable that the new lease agreement will result in a lease rental reduction of \$1.457m relating to the 2005-06 financial year. Throughout 2005-06 ASIC has made rental payments in accordance with the existing lease agreement.

### 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 14: Contingent liabilities and assets.



# Schedule of administered items

for the year ended 30 June 2006

		2006	2005
	Notes	\$'000	\$'000
<b>INCOME ADMINISTERED ON BEHALF OF GOVERNMENT</b>			
<i>Revenue</i>			
<i>Non-taxation Revenue</i>			
Corporations Act fees and charges	23	542,686	530,995
Banking Act unclaimed monies	23	32,923	32,224
Life Insurance Act unclaimed monies	23	10,192	5,119
Interest	23	67	49
<i>Total revenue administered on behalf of Government</i>		<u>585,868</u>	<u>568,387</u>
<i>Gains</i>			
Other gains	23	29	27
<i>Total income administered on behalf of Government</i>		<u>585,897</u>	<u>568,414</u>
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>			
Write down and impairment of assets	24	24,511	28,440
Other expenses	24	23,250	20,572
Suppliers	24	73	-
<i>Total expenses administered on behalf of Government</i>		<u>47,834</u>	<u>49,012</u>

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

- (i) 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).
- (ii) 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.
- (iii) 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.
- (iv) As part of its corporate insolvency law reform package to strengthen creditor protection and to deter misconduct by company officers, ASIC administers payments on behalf of the Government to registered insolvency practitioners. These payments are used to fund preliminary investigations of suspected breaches of directors' duties and fraudulent misconduct. The outcomes of the findings made by insolvency practitioners are reported to ASIC.

Note: Intra Government transactions have been omitted.

## Schedule of administered items (continued)

as at 30 June 2006

		2006 \$'000	2005 \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>			
Financial assets (current)			
Cash	25	2,962	4,479
Receivables	25	73,255	68,950
<i>Total assets administered on behalf of Government</i>		<u>76,217</u>	<u>73,429</u>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>			
Payables (current)			
Payables	26	4,224	4,652
<i>Total liabilities administered on behalf of Government</i>		<u>4,224</u>	<u>4,652</u>
<b>Administered assets less administered liabilities</b>	27	<u>71,993</u>	<u>68,777</u>
Note: Intra Government transactions have been omitted.			

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

# Schedule of administered items (continued)

for the year ended 30 June 2006

<b>ADMINISTERED CASH FLOWS</b>	<b>Notes</b>	<b>2006 \$'000</b>	<b>2005 \$'000</b>
<b>Operating activities</b>			
<b>Cash received</b>			
Corporations Act fees and charges		513,448	495,326
Banking Act unclaimed monies		32,923	32,224
Life Insurance Act unclaimed monies		10,192	5,119
Interest		67	48
<b>Total cash received</b>		<b>556,630</b>	<b>532,717</b>
<b>Cash used</b>			
Refunds paid to:			
Deposit taking institution account holders		20,492	17,790
Life insurance policy holders		2,728	2,755
Suppliers		80	-
<b>Total cash used</b>		<b>23,300</b>	<b>20,545</b>
<b>Net cash from operating activities</b>		<b>533,330</b>	<b>512,172</b>
<b>Net increase in cash held</b>	28	<b>533,330</b>	<b>512,172</b>
Cash at the beginning of the reporting period		4,479	3,792
Cash from the Official Public Account for:			
- Appropriations	27	27,205	23,769
Cash to the Official Public Account for:			
- Corporations Act fees and charges		(518,937)	(497,911)
- Banking Act unclaimed monies		(32,923)	(32,224)
- Life Act unclaimed monies		(10,192)	(5,119)
	27	<b>(562,052)</b>	<b>(535,254)</b>
<b>Cash at the end of the reporting period</b>	25	<b>2,962</b>	<b>4,479</b>

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

# Schedule of administered items (continued)

## as at 30 June 2006

### ADMINISTERED COMMITMENTS

There were no administered commitments as at 30 June 2006 (2005: 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 estimated to be \$35,239,842 (2005: \$37,624,081) exists at 30 June 2006, 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 2006 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 estimated to be \$8,277,286 (2005: \$5,400,123) exists at 30 June 2006, 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 2006 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 estimated to be \$568,850 (2005: \$650,000) exists at 30 June 2006, and represents an estimate of future claims for repayment.

The estimate of future claims for repayment at 30 June 2006 was determined by using a methodology provided by an independent actuary (Russell Employee Benefits Pty Ltd).

#### Contingent assets

There were no administered contingent assets as at 30 June 2006 (2005: nil).

# Notes to and forming part of the financial statements

for the year ended 30 June 2006

Note 1: Summary of significant accounting policies .....	68
Note 2: The impact of the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) from previous AGAAP .....	76
Note 3: Economic dependency .....	77
Note 4: Operating revenues .....	78
Note 5: Appropriations .....	79
Note 6: Operating expenses .....	81
Note 7: Finance costs .....	83
Note 8: Financial assets .....	83
Note 9: Non-financial assets .....	84
Note 10: Payables .....	86
Note 11: Interest bearing liabilities .....	87
Note 12: Provisions .....	88
Note 13: Cash flow reconciliation .....	89
Note 14: Contingent liabilities and assets .....	90
Note 15: Related party disclosures .....	91
Note 16: Remuneration of commissioners and executive officers .....	91
Note 17: Remuneration of auditors .....	92
Note 18: Assets held in trust .....	93
Note 19: Expenditure relating to statutory boards and tribunal .....	93
Note 20: Assets of deregistered companies vesting in ASIC .....	93
Note 21: Average staffing levels .....	94
Note 22: Financial instruments .....	94
Note 23: Income administered on behalf of government .....	98
Note 24: Expenses administered on behalf of government .....	99
Note 25: Assets administered on behalf of government .....	100
Note 26: Liabilities administered on behalf of government .....	101
Note 27: Administered reconciliation table .....	101
Note 28: Administered cash flow reconciliation .....	101
Note 29: Remuneration of auditors – administered items .....	102
Note 30: Assets held in trust – companies unclaimed monies .....	102
Note 31: Assets held in trust – unclaimed monies holding account .....	102
Note 32: Fiduciary monies (other than trust monies) .....	103
Note 33: Fiduciary monies (other than trust monies) security deposits .....	103
Note 34: Special accounts .....	103
Note 35: Administered financial instruments .....	104
Note 36: Events occurring after balance date .....	106
Note 37: Reporting of outcomes .....	107

# Notes to and forming part of the financial statements

## for the year ended 30 June 2006

### Note 1: Summary of significant accounting policies

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

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

ASIC's objectives include 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 1.4 refers).

ASIC is subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act) 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 manages on behalf of Government, pursuant to Schedule 1 Part 2 of the Financial Management and Accountability Regulations.

#### 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 section 49 of the *Financial Management and Accountability 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 1 July 2005));

- Finance Minister's Orders (being the Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 1 July 2005));
- Australian Accounting Standards issued by the Australian Accounting Standards Board that apply for the reporting period; and
- Interpretations issued by the Urgent Issues Group that apply for the reporting period.

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

Assets and liabilities are recognised in ASIC's Balance Sheet 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 14).

Income and expenses are recognised in ASIC's Income Statement 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.

## Note 1: Summary of significant accounting policies (continued)

### 1.3 Statement of compliance

This financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS). Australian Accounting Standards require ASIC to disclose Australian Accounting Standards that have not been applied where those standards have been issued but are not yet effective. The AASB has issued amendments to existing standards, these amendments are denoted by year and then number, for example 2005-1 indicates amendment 1 issued in 2005.

The table below outlines standards and amendments that will become effective for ASIC in the future. The nature of the impending change within the table, has been out of necessity abbreviated and readers of this financial report should consult the full version of the standard available on the AASB's website to identify the full impact of the change. The expected impact on the financial report of adoption of these standards is based on ASIC's initial assessment at this date, but may change. ASIC intends to adopt all of the standards upon their application date.

Title	Standard affected	Application date*	Nature of impending change	Impact expected on financial report
2005-1	AASB 139	1 Jan 2006	Amends hedging requirements for foreign currency risk of a highly probable intra-group transaction.	No expected impact.
2005-4	AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038	1 Jan 2006	Amends AASB 139, AASB 1023 and AASB 1038 to restrict the option to fair value through profit or loss and makes consequential amendments to AASB 1 and AASB 132.	No expected impact.
2005-5	AASB 1 and AASB 139	1 Jan 2006	Amends AASB 1 to allow an entity to determine whether an arrangement is, or contains, a lease.  Amends AASB 139 to scope out a contractual right to receive reimbursement (in accordance with AASB 137) in the form of cash.	No expected impact.
2005-6	AASB 3	1 Jan 2006	Amends the scope to exclude business combinations involving entities or businesses under common control.	No expected impact.
2005-9	AASB 4, AASB 1023, AASB 139 and AASB 132	1 Jan 2006	Amended standards in regard to financial guarantee contracts.	No expected impact.
2005-10	AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038	1 Jan 2007	Amended requirements subsequent to the issuing of AASB 7.	No expected impact.
2006-1	AASB 121	31 Dec 2006	Changes in requirements for net investments in foreign subsidiaries depending on denominated currency.	No expected impact.
	AASB 7	1 Jan 2007	Revise the disclosure requirements for financial instruments from AASB132 requirements.	No expected impact.

\* Application date is for annual reporting periods beginning on or after the date shown

# Notes to and forming part of the financial statements

## for the year ended 30 June 2006

### Note 1: Summary of significant accounting policies (continued)

#### 1.4 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 1.19.

Administered Items are distinguished by shading in these financial statements.

#### 1.5 Income

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 1.19.

Interest revenue is recognised using the effective interest method as set out in AASB 139.

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

- The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- The probable economic benefits with the transaction have flowed to the entity.

Receivables for services rendered are recognised at the nominal amounts due less any allowance for bad and doubtful debts. Collectability of debts is reviewed at balance date. An allowance is made when collectability of the debt is considered to be impaired. ASIC has adopted AASB 139 *Financial Instruments: Recognition and Measurement* based

on current understanding and interpretation from 1 July 2005, in relation to the calculation of the allowance for bad and doubtful debts. The financial impact of adopting this standard was immaterial.

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

#### *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 10B refers).

Where the full amount of the appropriation for the year has not been drawn down an appropriation receivable is disclosed.

#### *Resources received free of charge*

Services received free of charge are recognised as a gain 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 23 refers).

#### 1.6 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.

Equity contributions are recognised when received.

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



## Note 1: Summary of significant accounting policies (continued)

### 1.7 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 short-term employee benefits (i.e. wages and salaries, annual leave etc, expected to be settled within 12 months of the reporting date) are measured at their nominal amounts.

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

All other employee benefit liabilities are measured 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 are also a small number of employees covered under state government and private superannuation schemes. The majority of the employees in the state government superannuation schemes were originally employed by the various state governments and were transferred to ASIC at its inception in 1989.

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.

New employees (from 1 July 2005) are eligible to join the new PSS Accumulation Scheme, which is a defined contribution scheme.

### 1.8 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee, substantially all the risks and rewards incidental to ownership of leased 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 either the fair value of the lease property or if lower, 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. Where ASIC retains leased assets beyond the lease expiry date, any additional rental incurred is fully expensed.

# Notes to and forming part of the financial statements

## for the year ended 30 June 2006

### Note 1: Summary of significant accounting policies (continued)

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 lease incentive liability over the period of the lease.

#### 1.9 Finance costs

All finance costs are expensed as incurred.

#### 1.10 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. Cash which is not immediately required by ASIC is invested with an approved bank, as defined under section 5 of the CAC Act.

#### 1.11 Other financial instruments

##### *Appropriations receivable*

These receivables are recognised at the nominal amounts due.

##### *Other receivables*

ASIC's receivables comprise amounts expected to be received from operating revenue. The allowance for doubtful debts is based on the actual assessment of each debtor's capacity to pay.

##### *Trade creditors*

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 (and irrespective of having been invoiced).

##### *Contingent liabilities and contingent assets*

Contingent liabilities and assets are not recognised

in the Balance Sheet but are disclosed in the relevant schedules or notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured.

Remote contingencies are part of this disclosure. Where settlement becomes probable, a liability or asset is recognised. A liability or asset is recognised when its existence is confirmed by a future event, settlement becomes probable or reliable measurement becomes possible.

#### 1.12 Other non-financial assets – prepayments

Prepayments are recognised at their nominal amounts, being cost.

#### 1.13 Acquisition of assets

Purchased assets are recorded at cost on acquisition providing the asset recognition threshold is satisfied (Note 1.14 refers). The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

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.

#### 1.14 Leasehold improvements, plant and equipment

##### *Asset recognition threshold*

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

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by ASIC where there exists an obligation to restore the property to its

## Note 1: Summary of significant accounting policies (continued)

original condition. These costs are included in the value of ASIC's leasehold improvements with a corresponding provision for the 'make good' taken up.

### *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.

The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

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

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

#### (ii) Leasehold improvements

Leasehold improvements are revalued to fair value, 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

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, 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.

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 review confirmed that asset values reported at 30 June 2006 were representative of fair value and no valuation adjustment was required.

### *Depreciation*

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

# Notes to and forming part of the financial statements

## for the year ended 30 June 2006

### Note 1: Summary of significant accounting policies (continued)

#### (i) Plant and equipment

Computer equipment is depreciated using the declining-balance method while, for all other plant and equipment, the straight-line method of depreciation is applied.

#### (ii) Leasehold improvements

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

Depreciation 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:

	2006	2005
Leasehold improvements	Lease Term	Lease Term
Computer equipment	1-5 years	1-5 years
Other plant and equipment (owned)	2-10 years	2-10 years
Other plant and equipment (leased)	2-10 years	2-10 years

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

#### 1.15 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.

#### 1.16 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 depreciated 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 (2004-05: 4 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 2006.

#### 1.17 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.

#### 1.18 Insurance

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

## Note 1: Summary of significant accounting policies (continued)

### 1.19 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 27. The Schedule of Administered Items reflects the Government's transactions through ASIC, with parties outside the Government.

#### *Revenue*

Administered revenue comprises annual review fees, other fees and search products prescribed under the Corporations (Fees) Regulations.

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.

#### *Allowance for doubtful debts – change in accounting policy*

Administered revenue is recognised at its nominal amount due less any allowance for bad or doubtful debts. Collectability of debts is reviewed during the financial year and at balance date. ASIC has adopted AASB 139 *Financial Instruments: Recognition and Measurement* based on current understanding and interpretation from 1 July 2005. As a result of this, ASIC changed its methodology in calculating the allowance for doubtful debts from a general provision based on the age of the debt, to a methodology that requires an allowance be raised whenever a recognised loss or impairment event occurs. The financial effect of this change in accounting policy is disclosed in Note 24.

### 1.20 Unclaimed monies – administered items

#### *Banking Act administration*

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

In accordance with the *Banking Act 1959* monies from bank and deposit taking institution accounts that are inactive 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.

In accordance with the *Life Insurance Act 1995* monies in respect of matured life insurance policies that have not been claimed are transferred to the Commonwealth from life insurance companies and friendly societies, and are deposited into the CRF.

# Notes to and forming part of the financial statements

## for the year ended 30 June 2006

### Note 1: Summary of significant accounting policies (continued)

#### 1.21 Expenditure of boards and tribunal

Pursuant to Parts 11 and 12 of the *Australian Securities and Investments Commission Act 2001*, and the *Superannuation (Resolution of Complaints) Act 1993*, ASIC is required to support 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 Income Statement of ASIC (Note 19 refers).

#### 1.22 Changes in accounting policy

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

#### 1.23 Reporting by outcomes

ASIC's financial result reported in the context of the Government's outcomes and outputs framework is disclosed in Note 37.

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 37 refers).

#### 1.24 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.

#### 1.25 Comparative figures

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

#### 1.26 Financial instruments

Accounting policies for financial instruments are stated at Notes 22 and 35.

### Note 2: The impact of the transition to AIFRS from previous AGAAP

RECONCILIATION OF TOTAL EQUITY AS PRESENTED UNDER PREVIOUS AGAAP TO THAT UNDER AIFRS	2005 \$'000	2004 \$'000
Total equity under previous AGAAP	2,579	(4,925)
Adjustments to retained earnings:		
Employee provisions – determination of non-current annual leave provision (i)	87	126
Leases – change to initial determination of lease liability (ii)	82	151
Supplier payables – provision for 'make good' of leased premises (iii)	(3,210)	(2,997)
Leasehold improvements – 'make good' of leased premises (iv)	1,626	1,798
<b>Total equity translated to AIFRS</b>	<b>1,164</b>	<b>(5,847)</b>

**Note 2: The impact of the transition to AEIFRS from previous AGAAP (continued)****RECONCILIATION OF OPERATING SURPLUS / (DEFICIT)  
AS PRESENTED UNDER PREVIOUS AGAAP TO AEIFRS**2005  
\$'000

Prior year operating surplus as previously reported	75
<b>Adjustments:</b>	
Depreciation expense arising from the capitalisation of estimated 'make good' costs on leased premises (AASB 116)	(402)
Increase in borrowing costs arising from restatement of lease liability (AASB 117)	(69)
Change in employee expense arising from discounting of non-current annual leave (AASB 119)	(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)	(107)
<b>Prior year operating deficit translated to AEIFRS</b>	<b>(418)</b>

- (i) AASB 119 *Employee Benefits* requires annual leave liabilities that will not be settled within 12 months of the reporting date to be measured at present value. The annual leave provision is classified as a current liability.
- (ii) AASB 117 *Leases* 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. This adjustment restates the lease liability to the present value of minimum lease payments.
- (iii) UIG 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* 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.
- (iv) AASB 116 *Property, Plant and Equipment* 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".

**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* and the *Australian Securities and Investments Commission Act 2001*.

# Notes to and forming part of the financial statements

## for the year ended 30 June 2006

### Note 4: Operating revenues

Note 4A: Revenues from Government	Notes	2006 \$'000	2005 \$'000
Appropriation Act No. 1 Operating Expenditure		209,505	196,001
Appropriation Act No. 3 Operating Expenditure		4,374	3,199
<b>Total revenues from Government</b>	(i), 5B	<b>213,879</b>	<b>199,200</b>

(i) The increase in appropriations received by ASIC in 2005-06 of \$14.679m is the result of increased funding provided by the Government for:

(a) Additional audit regulation responsibilities accompanying the <i>Sarbanes-Oxley Act of 2002</i> in the United States	2,079
(b) Litigation and enforcement costs for specific matters	2,296
(c) Additional costs arising from the Government's corporate insolvency law reform initiative	2,089
(d) Additional costs associated with the introduction of the superannuation choice of fund reforms	7,948
(e) Other	267

**Total increase in appropriations** **14,679**

### Note 4B: Sale of services

Rendering of services to:		
Related entities	959	1,359
External entities	2,473	1,796
<b>Total sale of services</b>	<b>3,432</b>	<b>3,155</b>

### Note 4C: Interest

Bank interest	3,574	2,622
<b>Total interest revenues</b>	<b>3,574</b>	<b>2,622</b>

### Note 4D: Other revenues

Cost recoveries	(i)	1,280	2,258
Royalties		361	305
Receipt from the Companies Unclaimed Monies Account	(ii)	690	-
Receipt from the Department of the Treasury	(iii)	670	-
Professional and witness fees		269	327
Recovery of property rental outgoings – prior year		179	-
Miscellaneous		347	168
<b>Total other revenues</b>		<b>3,796</b>	<b>3,058</b>

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

(ii) Costs recovered in relation to the relocation of ASIC's microfiche development facility. The relocation was undertaken as part of ASIC's strategic plan to consolidate leased premises.

(iii) Amount recovered by ASIC in relation to the increased costs of the Companies Auditors and Liquidators Disciplinary Board.



**Note 4: Operating revenues (continued)**

	Notes	2006 \$'000	2005 \$'000
<b>Note 4E: Net gains from disposal of assets</b>			
Plant and equipment			
Proceeds from disposal		-	33
Net book value of assets disposed		-	(13)
<b>Net gains from disposal of plant and equipment</b>		<b>-</b>	<b>20</b>

**Note 5: Appropriations**

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

Particulars	Notes	Departmental outputs		Equity		Total	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Year ended 30 June 2006							
Balance carried forward from previous year		3,084	6,652	407	-	3,491	6,652
Appropriation Acts 1 and 3		220,077	205,888	-	-	220,077	205,888
Appropriation Acts 2 and 4		-	-	2,165	11,915	2,165	11,915
Unearned appropriation		-	(6,499)	-	-	-	(6,499)
Available for payment out of CRF		223,161	206,041	2,572	11,915	225,733	217,956
Cash payments made out of CRF	5B	(223,161)	(202,957)	(2,572)	(11,508)	(225,733)	(214,465)
<i>Balance carried to next year</i>	5B	-	3,084	-	407	-	3,491
Represented by:							
Appropriations receivable	8B	-	3,084	-	-	-	3,084
Unspent appropriation		-	-	-	407	-	407
		-	3,084	-	407	-	3,491

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

	Notes	2006 \$'000	2005 \$'000
<b>Particulars</b>			
Payments from the CRF		223,161	202,957
Appropriations receivable this year	8B	-	3,084
less: Unearned appropriation revenue this year	(i),10B	(11,670)	(6,688)
less: Appropriation returned to the CRF		(1,216)	-
Unearned appropriation in 2004		-	6,499
Unearned appropriation in 2005	10B	6,688	-
less: appropriations receivable in 2004		-	(6,652)
less: appropriations receivable in 2005	8B	(3,084)	-
<b>Total revenues from Government</b>		<b>213,879</b>	<b>199,200</b>

- (i) Unspent portion of specific purpose appropriation associated with certain litigations and investigations, disclosed as unearned revenue.

## Notes to and forming part of the financial statements for the year ended 30 June 2006

### Note 5: Appropriations (continued)

#### 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.

	Outcome 1	
	2006	2005
	\$'000	\$'000
<b>LIFE INSURANCE ACT 1995</b>		
Legal authority - <i>Life Insurance Act 1995</i>		
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 <i>Life Insurance Act 1995</i> ) to refund amounts to life insurance policy holders.		
All transactions under this Act are recognised as Administered Items (Note 24 refers).		
Budget estimate	3,000	4,000
Payments made	2,729	2,755
	Outcome 1	
	2006	2005
	\$'000	\$'000
<b>BANKING ACT 1959</b>		
Legal authority - <i>Banking Act 1959</i>		
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 <i>Banking Act 1959</i> ) to refund amounts to banking and deposit taking institution account holders.		
All transactions under this Act are recognised as Administered Items (Note 24 refers).		
Budget estimate	18,000	20,000
Payments made	20,492	17,790

**Note 5: Appropriations (continued)**

		<b>Outcome 1</b>	
		<b>2006</b>	<b>2005</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>CORPORATIONS ACT 2001 (COMPANIES UNCLAIMED MONIES ACCOUNT)</b>			
Legal authority - <i>Corporations Act 2001</i>			
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 <i>Corporations Act 2001</i> ), 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 30 refers).			
Budget estimate		-	-
Payments made		227	406
		<b>Outcome 1</b>	
		<b>2006</b>	<b>2005</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>CORPORATIONS ACT 2001 (REFUNDS OF OVERPAID CORPORATIONS ACT FEES AND CHARGES)</b>			
Legal authority - <i>Corporations Act 2001</i>			
Purpose - ASIC has responsibility for the administration and collection of Corporations Act fees and charges. All fees and charges are deposited into the CRF as received. Refunds of overpayments are appropriated under section 28 of the FMA Act.			
All transactions under this Act are recognised as Administered Items.			
Budget estimate		6,000	6,000
Payments made		3,687	3,522

**Note 6: Operating expenses**

		<b>2006</b>	<b>2005</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Note 6A: Employees</b>	<b>Notes</b>		
Salaries		100,164	97,682
Superannuation	(i)	14,900	13,467
Leave and other entitlements		11,306	10,992
Separation and redundancy	(ii)	940	1,717
<b>Total employees benefits expense</b>		<b>127,310</b>	<b>123,858</b>

- (i) Contributions to superannuation schemes are at rates calculated to cover existing and emerging obligations. The employer contribution rate for the Commonwealth Superannuation Scheme (CSS) was 24.6% (2005: 23.1%), the Public Sector Superannuation Scheme (PSS) was 11.9% (2005: 11.1%), the PSS Accumulation Scheme (from 1 July 2005) was 15.4%, and the superannuation productivity benefit was 2.0% to 3.0% (2005: 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.

## Notes to and forming part of the financial statements for the year ended 30 June 2006

### Note 6: Operating expenses (continued)

Note 6B: Suppliers	Notes	2006 \$'000	2005 \$'000
Goods from related entities		25	8
Goods from external entities		1,111	1,938
Services from related entities		6,148	7,323
Services from external entities		51,153	44,177
Operating lease rentals	(i)	16,728	16,376
<b>Total suppliers expenses</b>		<b>75,165</b>	<b>69,822</b>

(i) These comprise minimum lease payments only.

### Note 6C: Depreciation and amortisation

<i>Depreciation of plant and equipment</i>			
Plant and equipment owned		4,142	1,849
Assets subject to a finance lease		876	3,424
<b>Total depreciation</b>		<b>5,018</b>	<b>5,273</b>
<i>Amortisation</i>			
Intangibles (computer software)		6,278	5,429
Leasehold improvements		3,745	3,310
<b>Total amortisation</b>		<b>10,023</b>	<b>8,739</b>
<b>Total depreciation and amortisation</b>		<b>15,041</b>	<b>14,012</b>

### Note 6D: Net losses from disposal of assets

Plant and equipment			
Proceeds from disposal		(19)	-
Net book value of assets disposed		98	-
<b>Net losses from disposal of plant and equipment</b>		<b>79</b>	<b>-</b>

### Note 6E: Write down of assets

Bad and doubtful debts expense		(43)	77
Property, plant and equipment and intangibles (computer software) - write-off		68	155
<b>Total write down of assets</b>		<b>25</b>	<b>232</b>

**Note 7: Finance costs**

	Notes	2006 \$'000	2005 \$'000
Unwinding of discount on the liability to 'make good' on leased premises		164	107
Finance charges on lease liabilities		183	442
<b>Total finance costs</b>		<b>347</b>	<b>549</b>

**Note 8: Financial assets****Note 8A: Cash**

Cash at bank and on hand		9,344	3,519
Cash on deposit		26,229	11,388
<b>Total cash</b>		<b>35,573</b>	<b>14,907</b>
Balance of cash as at 30 June shown in the Statement of Cash Flows		<b>35,573</b>	<b>14,907</b>

**Note 8B: Receivables**

Trade debtors		1,063	1,321
Less: Allowance for doubtful debts		(77)	(128)
		<b>986</b>	<b>1,193</b>
GST receivable		2,005	1,930
Appropriations receivable	(i)	-	3,084
<b>Total receivables (net)</b>		<b>2,991</b>	<b>6,207</b>

All receivables are current assets.

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

Receivables (gross) are aged as follows:

Current		2,934	6,285
Overdue by:			
Less than 30 days		23	23
30 to 60 days		2	2
60 to 90 days		17	-
More than 90 days		92	25
<b>Total receivables (gross)</b>		<b>3,068</b>	<b>6,335</b>

The allowance for doubtful debts is aged as follows:

Current		-	101
Overdue by:			
Less than 30 days		-	3
More than 90 days		77	24
<b>Total allowance for doubtful debts</b>		<b>77</b>	<b>128</b>

## Notes to and forming part of the financial statements for the year ended 30 June 2006

### Note 9: Non-financial assets

Note 9A: Leasehold improvements	Notes	2006 \$'000	2005 \$'000
<i>Leasehold improvements</i>			
At fair value	(i)	33,772	31,127
Accumulated amortisation		(23,536)	(20,214)
		10,236	10,913
Work in progress		398	133
<b>Total leasehold improvements (non-current)</b>		<b>10,634</b>	<b>11,046</b>

- (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 (Note 1.14 refers).

### Note 9B: Plant and equipment

<i>Plant and equipment</i>			
At fair value - owned assets	(i)	15,897	7,087
Accumulated depreciation		(5,829)	(1,817)
		10,068	5,270
At fair value - finance leased assets	(i)	4,295	4,296
Accumulated depreciation		(3,504)	(2,629)
		791	1,667
<b>Total plant and equipment (non-current)</b>		<b>10,859</b>	<b>6,937</b>

- (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 (Note 1.14 refers).

### Note 9C: Intangibles – Computer software

<i>Internally developed</i>			
In progress		785	3,892
In use		26,574	19,429
Accumulated amortisation		(15,127)	(10,405)
		12,232	12,916
<i>Purchased</i>			
In use		10,921	9,638
Accumulated amortisation		(7,213)	(5,675)
		3,708	3,963
<b>Total intangibles (non-current)</b>		<b>15,940</b>	<b>16,879</b>

**Note 9: Non-financial assets (continued)**

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**

Item	Note	Leasehold improvements \$'000	Plant and equipment \$'000	Intangibles - Computer software internally developed \$'000	Intangibles - Computer purchased \$'000	Total \$'000
<b>As at 1 July 2005</b>						
Gross book value		31,260	11,383	23,321	9,638	75,602
Accumulated depreciation/amortisation		(20,214)	(4,446)	(10,405)	(5,675)	(40,740)
<b>Opening net book value</b>		<b>11,046</b>	<b>6,937</b>	<b>12,916</b>	<b>3,963</b>	<b>34,862</b>
Additions:						
By purchase	(i)	3,342	9,102	-	1,296	13,740
Internally developed software		-	-	4,038	-	4,038
Depreciation/amortisation expense		(3,745)	(5,018)	(4,722)	(1,556)	(15,041)
Write offs: cost/valuation		(259)	(137)	-	(19)	(415)
Write offs: provision		256	72	-	19	347
Other movements: cost/valuation		-	(6)	-	6	-
Other movements: provision		-	1	-	(1)	-
Disposals:						
Disposals: cost/valuation		(173)	(150)	-	-	(323)
Disposals: provision		167	58	-	-	225
<b>As at 30 June 2006</b>						
Gross book value		34,170	20,192	27,359	10,921	92,642
Accumulated depreciation/amortisation		(23,536)	(9,333)	(15,127)	(7,213)	(55,209)
<b>Closing net book value</b>		<b>10,634</b>	<b>10,859</b>	<b>12,232</b>	<b>3,708</b>	<b>37,433</b>

(i) Total purchases of \$17,777,579 comprises cash purchases of \$16,007,430 plus accrued capital expenditure of \$1,770,149.

## Notes to and forming part of the financial statements for the year ended 30 June 2006

### Note 9: Non-financial assets (continued)

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

Item	Plant and equipment \$'000	Total \$'000
As at 30 June 2006		
Gross value	4,295	4,295
Accumulated depreciation/amortisation	(3,504)	(3,504)
<b>Net book value</b>	<b>791</b>	<b>791</b>
As at 30 June 2005		
Gross value	4,296	4,296
Accumulated depreciation/amortisation	(2,629)	(2,629)
<b>Net book value</b>	<b>1,667</b>	<b>1,667</b>

TABLE C - Assets under construction, included in Table A above

Item	Leasehold improvements \$'000	Computer software internally developed \$'000	Total \$'000
As at 30 June 2006	398	785	1,183
As at 30 June 2005	133	3,892	4,025

Note 9E: Other non-financial assets	2006 \$'000	2005 \$'000
Prepayments	2,314	2,268
<b>Total other non financial assets (current)</b>	<b>2,314</b>	<b>2,268</b>

### Note 10: Payables

Note 10A: Suppliers	Notes		
Trade creditors	(i)	14,228	7,885
Goods and services tax payable		67	140
<b>Total supplier payables</b>		<b>14,295</b>	<b>8,025</b>

All supplier payables are current.

(i) As at 30 June 2006, the increase in trade creditors was due to a large number of projects under way or recently completed.



**Note 10: Payables (continued)**

Note 10B: Other payables	Notes	2006 \$'000	2005 \$'000
Unearned revenue - Government appropriations	(i)	11,670	6,688
Other unearned revenue		1,152	57
Interest payable		21	18
Property lease incentives	(ii)	1,497	2,286
<b>Total other payables</b>		<b>14,340</b>	<b>9,049</b>
Other payables are represented by:			
Current		13,276	7,565
Non-current		1,064	1,484
<b>Total other payables</b>		<b>14,340</b>	<b>9,049</b>

- (i) Unearned revenue - Government appropriations represent appropriations for specific government initiatives that have not been spent where the appropriation is conditional on any unspent balance being returned to Government.
- (ii) Total property lease incentives are disclosed as deferred rental expenditure at 30 June 2006. The amortisation of these amounts will be made over the life of the leases, commencing after the expiry of the rent deferral periods.

**Note 11: Interest bearing liabilities****LEASES**

Finance lease commitments		
Payable:		
Within one year		
Minimum lease payments	982	2,468
Deduct: future finance charges	(95)	(183)
	<b>887</b>	<b>2,285</b>
In one to five years		
Minimum lease payments	924	1,909
Deduct: future finance charges	(43)	(142)
	<b>881</b>	<b>1,767</b>
<b>Total finance leases</b>	<b>1,768</b>	<b>4,052</b>

Finance leases exist in relation to certain IT assets. The leases were initially for terms of up to 5 years.

## Notes to and forming part of the financial statements for the year ended 30 June 2006

### Note 12: Provisions

Note 12A: Employee provisions	Notes	2006 \$'000	2005 \$'000
Salaries and bonuses		4,489	3,476
Annual leave entitlement		10,266	10,051
Long service leave entitlement		18,417	17,363
Separation and redundancies		373	1,489
<b>Total employee provisions</b>		<b>33,545</b>	<b>32,379</b>
Employee provisions are represented by:			
Current		27,983	27,694
Non-current		5,562	4,685
<b>Total employee provisions</b>		<b>33,545</b>	<b>32,379</b>
<b>Note 12B: Other provisions</b>			
Provision for 'make good' of leasehold improvements		3,913	3,575
<b>Total other provisions</b>		<b>3,913</b>	<b>3,575</b>
Other provisions are represented by:			
Current		1,585	365
Non-current		2,328	3,210
<b>Total other provisions</b>		<b>3,913</b>	<b>3,575</b>

**Note 13: Cash flow reconciliation**

	Notes	2006 \$'000	2005 \$'000
<b>Reconciliation of cash per Balance Sheet to Statement of Cash Flows</b>			
Cash at year end per Statement of Cash Flows		35,573	14,907
Balance Sheet items comprising above cash:			
Financial asset - cash		35,573	14,907
<b>Reconciliation of operating surplus / (deficit) to net cash from operating activities:</b>			
Net operating surplus / (deficit)		6,714	(418)
Depreciation and amortisation	6C	15,041	14,012
Write down of property, plant and equipment assets	6E	68	155
Net (gain) / loss on disposal of property, plant and equipment	4E, 6D	79	(20)
Non-cash component of leasehold improvement additions		-	(230)
<i>Change in operating assets and liabilities resulting from operating activities:</i>			
Decrease in receivables		3,216	3,956
(Increase) in other non-financial assets		(46)	(298)
Increase / (decrease) in employees provisions		1,166	(1,961)
Increase / (decrease) in suppliers payables		6,270	(907)
Increase / (decrease) in other payables		3,858	(109)
<b>Net cash from operating activities</b>		<b>36,366</b>	<b>14,180</b>

## Notes to and forming part of the financial statements for the year ended 30 June 2006

### **Note 14: Contingent liabilities and assets**

#### **Unquantifiable 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.

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

As at the date of this report there are two matters of this type which may result in a material contingent liability by way of an award of costs against ASIC.

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

There are at the date of this report, five 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.

#### ***3. Future obligation arising from a court order***

- (a) The Supreme Court of Queensland has made an order requiring ASIC to pay for the professional fees and other costs that will be incurred in liquidating a particular company. At the date of this report no costs have been incurred by ASIC or the liquidator, and ASIC is unable to quantify this liability. ASIC is currently appealing this decision.
- (b) In a matter heard before the Federal Court of Australia, an order was made requiring ASIC to pay the receiver's costs. The court has given ASIC liberty to apply at a later time, if circumstances change, for an order to be indemnified out of the assets of the defendants for the costs of the receivers. ASIC is unable to quantify this liability.

#### **Unquantifiable 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.

### Note 15: 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)

B. J. Collier (Commissioner to 4 February 2006)

M. J. Rodgers (Acting Commissioner from 6 February 2006) (Note 16A (i) refers)

The aggregate remuneration of commissioners is disclosed in Note 16A.

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.

### Note 16: Remuneration of commissioners and executive officers

#### Note 16A: Remuneration of commissioners

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

			2006 Commissioners	2005 Commissioners
\$0	to	\$14,999	-	1
\$120,000	to	\$134,999	1	-
\$180,000	to	\$194,999	1	-
\$310,000	to	\$324,999	-	1
\$325,000	to	\$339,999	-	1
\$345,000	to	\$359,999	1	-
\$385,000	to	\$399,999	1	1
			<u>4</u>	<u>4</u>

	2006 \$	2005 \$
Total remuneration received or due and receivable by commissioners	<u>1,053,662</u>	<u>1,042,368</u>

- (i) Remuneration for M. J. Rodgers (2005: M. J. Rodgers) is included in total remuneration received or due and receivable for that part of the year he was Acting Commissioner.

## Notes to and forming part of the financial statements for the year ended 30 June 2006

Note 16B: Remuneration of executive officers	2006 Executives	2005 Executives
The number of executives who received or were due to receive total remuneration of \$130,000 or more in the relevant income bands is shown below:		
\$130,000 to \$144,999	1	-
\$145,000 to \$159,999	8	3
\$160,000 to \$174,999	6	7
\$175,000 to \$189,999	7	4
\$190,000 to \$204,999	4	5
\$205,000 to \$219,999	3	4
\$220,000 to \$234,999	4	2
\$235,000 to \$249,999	1	1
\$250,000 to \$264,999	1	1
\$265,000 to \$279,999	-	2
\$280,000 to \$294,999	-	2
\$295,000 to \$309,999	1	2
\$310,000 to \$324,999	2	-
\$325,000 to \$339,999	2	-
	<u>40</u>	<u>33</u>

	2006 \$	2005 \$
The aggregate amount of total remuneration of executives shown above:	<u>8,069,950</u>	<u>6,895,051</u>
The aggregate amount of separation and redundancy payments during the year to executives shown above:	<u>129,693</u>	<u>-</u>

The executive remuneration includes all executive officers concerned with or taking part in the management of ASIC during 2005-06 except for the commissioners and in respect of the period executive officers were occupying the position of Acting Commissioner. Details in relation to commissioners and acting commissioners are shown at Note 16A.

### Note 17: Remuneration of auditors

	2006 \$	2005 \$
Remuneration to the Auditor-General for auditing the financial statements of ASIC in respect of the reporting period.	<u>141,275</u>	<u>120,000</u>

No other services are provided by the Auditor-General. Refer to Note 23 for audit services received free of charge in respect of administered items.

### Note 18: 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*.

	2006 \$'000	2005 \$'000
Opening balance	48	102
Receipts	324	310
Available for payments	372	412
Disbursements	(346)	(364)
<i>Closing balance</i>	26	48

### Note 19: Expenditure relating to statutory boards and tribunal

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

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

Companies Auditors and Liquidators Disciplinary Board (CALDB)	1,237	690
Australian Accounting Standards Board (AASB)	1,607	1,500
Superannuation Complaints Tribunal	4,231	3,984

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

### Note 20: 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 any proceeds on realisation of those assets in accordance with its statutory duties.

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

# Notes to and forming part of the financial statements

## for the year ended 30 June 2006

### Note 21: Average staffing levels

	2006	2005
The average staffing levels for ASIC during the year were	1,471	1,570

### Note 22: Financial instruments

Note 22A: Terms, conditions and accounting policies

Financial instrument	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
FINANCIAL ASSETS		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash at bank and on hand	8A	Deposits are recognised at their nominal amounts. Interest on cash at bank is credited to revenue as it accrues.	Interest is earned on the daily balance. At 30 June 2006 the current interest rate was 5.1% (2005: 4.9%).
Cash on deposit	8A	Deposits are recognised at their nominal amounts. Interest is accrued as it is earned. Cash which is not immediately required by ASIC is invested with an approved bank, as defined under section 5 of the CAC Act.	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. At 30 June 2006 the current interest rate was 5.8% (2005: 5.5%).
Receivables for services	8B	These receivables are recognised at the nominal amounts due less any allowance for bad and doubtful debts. Collectability of debts is reviewed at balance date. The allowance for doubtful debts is based on the actual assessment of each debtor's capacity to pay.	Credit terms are net 14 days (2005: 14 days).



**Note 22: Financial instruments (continued)****Note 22A: 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	11	Liabilities are recognised at either the fair value of the lease property or if lower the present value of 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 5.0% (2005: 5.2%). The lease liabilities are secured by the lease assets.
Trade creditors	10A	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	10B	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.	

## Notes to and forming part of the financial statements for the year ended 30 June 2006

### Note 22: Financial instruments (continued)

Note 22B: Interest rate risk

Financial instrument		Fixed interest rate maturing in										Weighted average effective interest rate	
		Floating interest rate		1 year or less		1 to 5 years		Non-interest bearing		Total			
		2006	2005	2006	2005	2006	2005	2006	2005	2006	2005		
		Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Financial assets													
Cash at bank and on hand	8A	9,298	3,467	-	-	-	-	46	52	9,344	3,519	5.1	4.9
Cash on deposit	8A	26,229	11,388	-	-	-	-	-	-	26,229	11,388	5.8	5.5
Receivables for services	8B	-	-	-	-	-	-	2,991	6,207	2,991	6,207	n/a	n/a
Total		35,527	14,855	-	-	-	-	3,037	6,259	38,564	21,114		
Total Assets										78,311	58,244		
Financial liabilities													
Finance lease liabilities	11	-	-	887	2,285	881	1,767	-	-	1,768	4,052	5.0	5.2
Trade creditors	10A	-	-	-	-	-	-	14,295	8,025	14,295	8,025	n/a	n/a
Unearned revenue	10B	-	-	-	-	-	-	12,822	6,745	12,822	6,745	n/a	n/a
Other debt	10B	21	18	-	-	-	-	1,497	2,286	1,518	2,304	5.1	4.8
Total		21	18	887	2,285	881	1,767	28,614	17,056	30,403	21,126		
Total Liabilities										67,861	57,080		

**Note 22: Financial instruments (continued)****Note 22C: Fair values of financial assets and liabilities**

		2006		2005	
		Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
	Notes				
<b>Financial assets</b>					
Cash at bank and on hand	8A	9,344	9,344	3,519	3,519
Deposits at call	8A	26,229	26,229	11,388	11,388
Receivables for services	8B	2,991	2,991	6,207	6,207
<b>Total financial assets</b>		<b>38,564</b>	<b>38,564</b>	<b>21,114</b>	<b>21,114</b>
<b>Financial liabilities</b>					
Finance lease liabilities	11	1,768	1,768	4,052	4,052
Trade creditors	10A	14,295	14,295	8,025	8,025
Unearned revenue	10B	12,822	12,822	6,745	6,745
Other debt	10B	1,518	1,518	2,304	2,304
<b>Total financial liabilities</b>		<b>30,403</b>	<b>30,403</b>	<b>21,126</b>	<b>21,126</b>

*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 22D: 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 Balance Sheet.

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

## Notes to and forming part of the financial statements for the year ended 30 June 2006

### Note 23: Income administered on behalf of Government

	Notes	2006 \$'000	2005 \$'000
<b>Gains from Government</b>			
Administered services received free of charge	(i)	29	27
(i) Financial statement audit services by the Auditor-General are provided free of charge to ASIC in relation to the audit of <i>Corporations Act 2001</i> , <i>Banking Act 1959</i> , <i>Life Insurance Act 1995</i> , and other administered items. The fair value of the audit services provided is \$28,600 (2005: \$27,000).			
<b>Interest</b>			
Bank interest from Life Insurance Act Unclaimed Monies account		18	13
Bank interest from Corporations Act refund account		11	-
Bank interest from Banking Act Unclaimed Monies account		38	36
<b>Total interest</b>		<b>67</b>	<b>49</b>
<b>Non-taxation revenues</b>			
Corporations Act fees and charges		542,686	530,995
Monies received from banks and deposit taking institutions in respect of accounts inactive for seven or more years		32,923	32,224
Monies received from life insurance institutions for policies not claimed within seven years		10,192	5,119
<b>Total non-taxation revenues</b>		<b>585,801</b>	<b>568,338</b>
<b>Total income administered on behalf of Government</b>		<b>585,897</b>	<b>568,414</b>

#### Corporations Act fees and charges

	2006 \$'000 Fines	2006 \$'000 Fees	2006 \$'000 Total	2005 \$'000 Fines	2005 \$'000 Fees	2005 \$'000 Total
Mandatory collections (i)	65,343	435,018	500,361	66,217	421,770	487,987
Information broker fees (ii)	-	40,413	40,413	-	41,623	41,623
Other fees (ii)	-	929	929	-	1,052	1,052
Court receivables (iii)	983	-	983	333	-	333
<b>Total Corporations Act fees and charges</b>	<b>66,326</b>	<b>476,360</b>	<b>542,686</b>	<b>66,550</b>	<b>464,445</b>	<b>530,995</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.

(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) Recovery of fines and penalties for non-compliance and breaches of the *Corporations Act 2001*.

**Note 24: Expenses administered on behalf of Government**

	Notes	2006 \$'000	2005 \$'000
Write down and impairment of assets			
Financial assets			
Write off of fees and charges	(i)	24,016	12,842
Increase/(decrease) in allowance for doubtful debts	(ii)	(4,157)	10,506
Waiver of fees and charges owing	(iii)	4,652	5,092
<b>Total write-down and impairment of assets</b>		<b>24,511</b>	<b>28,440</b>
Suppliers			
Suppliers	(iv)	73	-
Other expenses			
Refunds paid to bank and deposit taking institution account holders		20,492	17,790
Refunds paid to life insurance policy holders		2,729	2,755
Audit fees		29	27
<b>Total other expenses</b>		<b>23,250</b>	<b>20,572</b>
<b>Total Expenses Administered on Behalf of Government</b>		<b>47,834</b>	<b>49,012</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 113,975 items totalling \$24,015,587 (2005: 60,755 items totalling \$12,842,232). The increase is due to the full year effect of ASIC initiated deregistration actions in response to non-payment of annual review fees as part of CLERP 7 legislation.
- (ii) The allowance for doubtful debts has decreased by \$4,157,426 to \$25,481,574 (2005: increase of \$10,506,000 to \$29,639,000). The decrease is primarily due to a change in policy arising from the adoption of AASB 139. The financial impact of adopting this change in policy is \$4,215,000.
- (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 32,374 items totalling \$4,652,272 (2005: 35,646 items totalling \$5,092,404).
- (iv) On behalf of the Government ASIC administers payments to registered insolvency practitioners to undertake preliminary investigations of suspected breaches of directors' duties and fraudulent conduct and to report the outcome of their findings to ASIC for further action as appropriate. This forms a part of the Government's corporate insolvency law reform package to strengthen creditor protection and to deter misconduct by company officers.

## Notes to and forming part of the financial statements for the year ended 30 June 2006

### Note 25: Assets administered on behalf of Government

	2006 \$'000	2005 \$'000
<b>Cash</b>		
Cash at bank and on hand - Corporations Act	1,864	3,590
Cash at bank - Banking Act	405	365
Cash at bank - other	380	-
Cash at bank - Life Insurance Act	313	524
<b>Total cash</b>	<b>2,962</b>	<b>4,479</b>
Balance of cash as at 30 June shown in the Schedule of Administered Cash Flows	2,962	4,479
<b>Receivables</b>		
GST Receivable	7	-
<b>Corporations Act</b>		
Corporations Act fees and charges	92,954	93,145
Information brokers fees	5,776	5,444
Less: Allowance for doubtful debts	(25,482)	(29,639)
<b>Total receivables - Corporations Act (net)</b>	<b>73,248</b>	<b>68,950</b>
<b>Total receivables</b>	<b>73,255</b>	<b>68,950</b>
Current	51,790	50,204
Overdue by:		
Less than 30 days	13,468	14,116
30 to 60 days	6,415	6,702
61 to 90 days	2,637	2,780
More than 90 days	24,427	24,787
<b>Total receivables (gross)</b>	<b>98,737</b>	<b>98,589</b>
The allowance for doubtful debts is aged as follows:		
Current	622	2,830
Overdue by:		
Less than 30 days	692	868
30 to 60 days	759	990
61 to 90 days	660	867
More than 90 days	22,749	24,084
<b>Total allowance for doubtful debts</b>	<b>25,482</b>	<b>29,639</b>

**Note 26: Liabilities administered on behalf of Government**

	Notes	2006 \$'000	2005 \$'000
Payables			
Corporations Act refunds		2,651	3,007
Unallocated monies - Corporations Act		1,573	1,645
<i>Total payables</i>		<u>4,224</u>	<u>4,652</u>

**Note 27: Administered reconciliation table**

Opening administered assets less administered liabilities as at 1 July		68,777	60,860
Plus Administered revenues		585,897	568,414
Less Administered expenses		(47,834)	(49,012)
Appropriation provided by Government from CRF		27,205	23,769
Transfers to CRF		(562,052)	(535,254)
<i>Closing administered assets less administered liabilities as at 30 June</i>		<u>71,993</u>	<u>68,777</u>

**Note 28: Administered cash flow reconciliation**

Reconciliation of net contribution to budget outcome to net cash provided by operating activities			
Net contribution to budget outcome	37C	538,063	519,402
Increase/(decrease) in allowance for doubtful debts		(4,157)	10,506
(Decrease) in payables and provisions		(428)	(1,057)
(Increase) in receivables		(148)	(16,679)
		<u>(4,733)</u>	<u>(7,230)</u>
<i>Net cash provided by operating activities</i>		<u>533,330</u>	<u>512,172</u>

## Notes to and forming part of the financial statements for the year ended 30 June 2006

### Note 29: Remuneration of auditors - administered items

	2006 \$	2005 \$
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, Life Insurance Act, and other administered items, which is the estimated fair value of the service	28,600	27,000

### Note 30: Assets held in trust - companies unclaimed monies

Monies received under the *Corporations Act 2001* are placed in a special purpose bank account and are expended in accordance with that act. The principal amount of these monies is not available to ASIC and accordingly is not recognised in the financial statements.

	2006 \$'000	2005 \$'000
<b>Companies Unclaimed Monies Account</b> <b>(Part 9.7 - <i>Corporations Act 2001</i>)</b> <b>(represented by deposits at bank)</b>		
Opening balance	68,496	53,216
Receipts	133,050	21,911
Special appropriations received (section 28(2) FMA Act)	227	406
Interest received	5,633	3,041
Disbursements	(6,824)	(6,417)
Special purpose disbursement	(690)	-
Management costs recovered by ASIC	(400)	(411)
Less transfer to Consolidated revenue	(2,911)	(3,250)
<b>Closing balance</b>	<b>196,581</b>	<b>68,496</b>

### Note 31: 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 to ASIC and are not recognised in the financial statements.

<b>Unclaimed monies holding account</b>		
Opening balance	55	13
Receipts	87	753
Interest received	3	3
Disbursements	(106)	(714)
<b>Closing balance</b>	<b>39</b>	<b>55</b>



**Note 32: Fiduciary monies (other than trust monies)**

	2006 \$'000	2005 \$'000
<b>Monies held pending the outcome of ASIC investigations and/or legal proceedings</b>		
Opening balance	116	3,820
Receipts	78	-
Interest received	8	33
Disbursements	(75)	(3,737)
<b>Closing balance</b>	<b>127</b>	<b>116</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	787	870
Receipts	1	-
Interest received	31	40
Disbursements	(346)	(123)
<b>Closing balance</b>	<b>473</b>	<b>787</b>

**Note 33: Fiduciary monies (other than trust monies) security deposits**

The *Corporations Act 2001* and the Corporations Regulations 2001 requires applicants for a dealers or investment advisers licence, and applicants for registration as a liquidator, to lodge a security deposit with ASIC. These monies, deposits, stock, bonds or guarantees are not available to 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)	43	40
Interest bearing deposits (at bank)	420	480
Inscribed stock	20	20
Insurance bonds	20	20
Bank guarantees	35,820	36,150
<b>Closing balance</b>	<b>36,323</b>	<b>36,710</b>

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

Insurance bonds	4,100	5,200
Bank guarantees	750	1,000
<b>Closing balance</b>	<b>4,850</b>	<b>6,200</b>

**Note 34: Special accounts**

Two special accounts were established on 31 December 1997 by the Department of Finance and Administration in accordance with the terms of section 20 of the FMA Act ("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 (2005: nil).

## Notes to and forming part of the financial statements for the year ended 30 June 2006

### Note 35: Administered financial instruments

#### Note 35A: 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	25	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	25	These receivables are recognised at the nominal amounts due less any allowance for bad and doubtful debts. Allowances are made when collection of the debt is considered to be impaired.	Credit terms: payable within 60 days of annual review.
<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	26	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	26	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.

**Note 35: Administered financial instruments (continued)**

Note 35B: Administered interest rate risk

Financial instrument		Fixed interest rate maturing in										Weighted average effective interest rate	
		Floating interest rate		1 year or less		1 to 5 years		Non-interest bearing		Total			
		2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
		Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial assets													
Cash at bank and on hand	25	2,962	889	-	-	-	-	-	3,590	2,962	4,479	5.1	4.8
Fee receivable (net)	25	-	-	-	-	-	-	73,255	68,950	73,255	68,950	n/a	n/a
<b>Total</b>		<b>2,962</b>	<b>889</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,255</b>	<b>72,540</b>	<b>76,217</b>	<b>73,429</b>		
<b>Total Assets</b>										<b>76,217</b>	<b>73,429</b>		
Financial liabilities													
Payables -													
Corporations Act refunds	26	-	-	-	-	-	-	2,651	3,007	2,651	3,007	n/a	n/a
Other monies	26	-	-	-	-	-	-	1,573	1,645	1,573	1,645	n/a	n/a
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,224</b>	<b>4,652</b>	<b>4,224</b>	<b>4,652</b>		
<b>Total Liabilities</b>										<b>4,224</b>	<b>4,652</b>		

## Notes to and forming part of the financial statements for the year ended 30 June 2006

### Note 35: Administered financial instruments (continued)

Note 35C: Fair values of administered financial assets and liabilities

	2006		2005	
	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	2,962	2,962	4,479	4,479
Receivables	73,255	73,255	68,950	68,950
<b>Total financial assets</b>	<b>76,217</b>	<b>76,217</b>	<b>73,429</b>	<b>73,429</b>
<b>Financial liabilities</b>				
Refunds	2,651	2,651	3,007	3,007
Other monies	1,573	1,573	1,645	1,645
<b>Total financial liabilities</b>	<b>4,224</b>	<b>4,224</b>	<b>4,652</b>	<b>4,652</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 25 Administered financial assets.

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

### Note 36: Events occurring after balance date

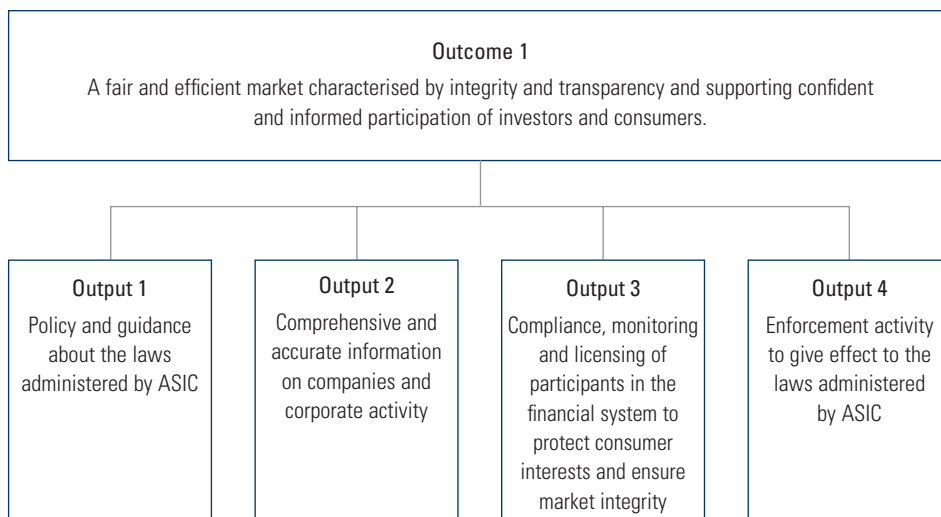
There were no events occurring after balance date that had a material effect on the financial statements.

**Note 37: Reporting of outcomes**

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

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

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



# Notes to and forming part of the financial statements

## for the year ended 30 June 2006

### Note 37: Reporting of outcomes (continued)

#### Note 37A: 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	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Expenses</b>				
Administered	47,834	49,012	47,834	49,012
Departmental	217,967	208,473	217,967	208,473
<b>Total expenses</b>	<b>265,801</b>	<b>257,485</b>	<b>265,801</b>	<b>257,485</b>
<i>Costs recovered from provision of goods and services to the non-government sector</i>				
Departmental	2,473	1,796	2,473	1,796
<b>Total costs recovered</b>	<b>2,473</b>	<b>1,796</b>	<b>2,473</b>	<b>1,796</b>
<i>Other external revenues</i>				
Administered				
Non-taxation revenue	585,897	568,414	585,897	568,414
<b>Total administered</b>	<b>585,897</b>	<b>568,414</b>	<b>585,897</b>	<b>568,414</b>
Departmental				
Interest	3,574	2,622	3,574	2,622
Revenue from disposal of assets	-	20	-	20
Other	3,796	3,058	3,796	3,058
<b>Total departmental</b>	<b>7,370</b>	<b>5,700</b>	<b>7,370</b>	<b>5,700</b>
<b>Total other external revenues</b>	<b>593,267</b>	<b>574,114</b>	<b>593,267</b>	<b>574,114</b>
<b>Net contribution of outcome</b>	<b>(329,939)</b>	<b>(318,425)</b>	<b>(329,939)</b>	<b>(318,425)</b>

The above table shows the net contribution to the Commonwealth Budget outcome by adding the departmental and administered expenses, less departmental and administered revenues and costs recovered to produce a net contribution to the Budget outcome of \$329.939m (2005: \$318.425m). This derived amount is meaningful only when it is used to consider ASIC's contribution to the Budget outcome for the purposes of "whole of Government" reporting. It is not intended to represent or portray an alternative operating result for ASIC to that which is disclosed in the Income Statement.

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. Administered revenues and administered expenses are detailed in Notes 23 and 24 respectively.

**Note 37: Reporting of outcomes (continued)**

Note 37B: Major departmental revenues and expenses by output (output group)

	Output 1		Output 2		Output 3		Output 4		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Outcome 1</b>										
Departmental expenses										
Employees	7,893	7,182	26,509	25,869	34,886	31,113	58,022	59,694	127,310	123,858
Suppliers	5,232	5,014	17,492	17,334	13,819	12,130	38,622	35,344	75,165	69,822
Depreciation and amortisation	567	596	6,262	3,982	3,283	4,142	4,929	5,292	15,041	14,012
Net losses from disposal of assets	3	-	13	-	14	-	49	-	79	-
Write down of assets	1	6	5	17	6	24	13	185	25	232
Finance costs	20	33	52	88	81	137	194	291	347	549
<b>Total departmental expenses</b>	<b>13,716</b>	<b>12,831</b>	<b>50,333</b>	<b>47,290</b>	<b>52,089</b>	<b>47,546</b>	<b>101,829</b>	<b>100,806</b>	<b>217,967</b>	<b>208,473</b>
Funded by:										
Revenues from government	13,294	12,567	45,396	43,736	54,781	46,262	100,408	96,635	213,879	199,200
Sale of services	-	59	2,830	2,308	602	442	-	346	3,432	3,155
Interest	215	157	572	422	893	655	1,894	1,388	3,574	2,622
Other	171	22	1,401	714	713	91	1,511	2,231	3,796	3,058
Gain from disposal of assets	-	-	-	15	-	1	-	4	-	20
<b>Total departmental revenues</b>	<b>13,680</b>	<b>12,805</b>	<b>50,199</b>	<b>47,195</b>	<b>56,989</b>	<b>47,451</b>	<b>103,813</b>	<b>100,604</b>	<b>224,681</b>	<b>208,055</b>

In 2005-06 ASIC changed its methodology to attribute revenues and expenses to outputs. Cost centres that capture direct expenses and revenues have been linked to individual outputs, with overheads being allocated in accordance with a predetermined formula.

The 2004-05 comparatives have been restated to show the costs and revenues on a consistent basis. In addition, these comparative revenues and expenses have also been adjusted to reflect changes on adoption of AEIFRS.

In 2005-06 revenue is greater than expenses for outputs 3 and 4 due to funding received for certain specific purpose initiatives relating to these outputs being underspent by \$7.292m.

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

## Notes to and forming part of the financial statements for the year ended 30 June 2006

### Note 37: Reporting of outcomes (continued)

#### Note 37C: Major classes of administered revenues and expenses by outcomes

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

		Outcome 1		Total	
	Notes	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Administered revenues</b>					
Other taxes, fees and fines		542,686	530,995	542,686	530,995
Monies from banks and deposit taking institutions		32,923	32,224	32,923	32,224
Monies from life insurance institutions		10,192	5,119	10,192	5,119
Interest		67	49	67	49
Services free of charge		29	27	29	27
<b>Total administered revenues</b>		<b>585,897</b>	<b>568,414</b>	<b>585,897</b>	<b>568,414</b>
<b>Administered expenses</b>					
Write-down and impairment of assets		24,511	28,440	24,511	28,440
Other expenses		23,250	20,572	23,250	20,572
Suppliers		73	-	73	-
<b>Total administered expenses</b>		<b>47,834</b>	<b>49,012</b>	<b>47,834</b>	<b>49,012</b>
<b>Net contribution to budget outcome</b>	28	<b>538,063</b>	<b>519,402</b>	<b>538,063</b>	<b>519,402</b>



# Index

## A

Aboriginal communities, 22, 23  
 accounting policies (ASIC), 68–76  
 achievements recognised, *back cover*  
 activities, 1  
 addresses (ASIC), *inside back cover*  
 administered items  
   assets, 100  
   cash flow reconciliation, 101  
   expenses, 99  
   financial instruments, 104–106  
   income, 98  
   liabilities, 101  
   reconciliation table, 101  
   remuneration of auditors, 102  
   schedule, 63–66  
 AMP financial planners, 5, 26  
 annual reporting, 43,  
   *inside front cover, back cover*  
 appropriations (ASIC), 79–81  
 ASIC Act disclosure, 50  
 assets (ASIC)  
   administered, 100  
   held in trust (ASIC), 93  
   companies unclaimed monies, 102  
 Audit Committee and services  
   (ASIC), 45, 47  
   independent audit report, 54–55  
   remuneration of auditors, 92, 102  
 audit review (ASIC), 6  
 auditors  
   compliance, 28  
   regulation, 11, 20, 28, 31  
 Australian National Audit Office  
   (ANAO), 6, 54–55  
 Australian Prudential Regulation  
   Authority (APRA), 6, 8, 38

## B

balance sheet, 58  
 banning orders, 11, 19, 20, 21  
 Better Regulation project, 3, 4, 6, 8,  
 11, 31, 32  
 Business Consultative Panel, 6, 9, 46  
 business data (ASIC)  
   six year summary, 51

## C

cash flows (ASIC)  
   administered items, 101

  reconciliation, 89  
   statement, 59  
 Chairman's report, 4–7  
 Chief Financial Officer's statement, 56  
 Citigroup, 5, 18  
 civil cases, 5, 21  
 Commissioners  
   appointment, 42  
   membership, 7, 16, 40, 40–41  
   remuneration, 42, 91  
   role, 42  
   statement, 56  
 commitments, 61  
 community and regional involvement, 46  
 company information  
   data quality, 32  
 company officers  
   banned, 21  
   dishonesty, 21  
 compensation, 21  
 complaints to ASIC, 23  
   about staff, 44  
 compliance  
   operational summary, 17  
   promoting, 26–29  
 confidentiality, 44  
 conflicts of interest  
   advisers & clients, 3, 5, 27  
   managing, 30  
 consultants & contractors, 34  
 Consumer Advisory Panel, 24, 46  
 consumer education, 23  
 consumer protection, 22–24  
   operational summary, 17  
 contingencies (ASIC), 62  
 contingent liabilities and assets  
   (ASIC), 90  
 continuous disclosure, 19  
 corporate services, 36–37  
 crime  
   ASIC action, 5, 21  
   jail sentences, 5  
   reports of, 23

## D

debt collection, 22  
 deregistered companies  
   assets vesting in ASIC, 93  
 Director of Public Prosecutions (DPP), 5

directors  
   banning orders, 11, 19, 21  
   delinquent, 5  
   duties, 19  
 disability strategy, 49  
 disclosure, corporate  
   offer documents, 28

## E

economic dependency, 77  
 effectiveness measures, 6, 13, 17  
 Electoral Act disclosure, 50  
 enforcement, 18–21  
   high profile matters, 5, 11, 18  
   operational summary, 17  
   proceedings, 2, 4–5, 18  
 environmental management, 37  
 equal opportunity, 33–34  
 equity (ASIC), 60, 76–77  
 ethics (ASIC), 44  
 events occurring after  
   balance date (ASIC), 106  
 Executive Directors, 16, 41  
 executive officers' remuneration, 92  
 expenses  
   administered, 99  
   operating expenses, 81–82

## F

fees and charges, 14  
 fiduciary monies (ASIC), 103  
 finance (ASIC), 1, 17, 36–37  
   costs, 83  
   management & reporting, 36–37  
   operational summary, 17  
 finance sector assessment, 25  
 finance sector levy, 50  
 financial advisers  
   conduct & disclosure, 11, 18, 27  
   conflicts of interest, 3, 5, 27  
   shadow shopping survey, 4  
   superannuation choice, 26–27  
 financial assets (ASIC), 83  
 financial instruments (ASIC), 94–97  
   administered, 104–106  
 financial markets  
   enforcement, 19–20  
   regulation, 31  
 financial regulation, 38–39  
 financial services

compliance, 27  
 consumer protection, 22  
 enforcement, 20  
 licensing, 6, 31  
 reform, 6, 30  
 regulation, 30  
 financial statements (ASIC), 52–110  
   notes to, 68–110  
 financial summary, 14, 51  
 fraud, 4, 21  
 fraud control (ASIC), 44  
 freedom of information, 48–49  
 funding (ASIC), 3, 33, 35, 36  
   special purpose, 5, 6

## G

'general advice only' warnings, 30  
 governance, 1, 42–43  
 guide to ASIC (publication), 6, 8

## H

high-yield investments, 29  
 highlights, 3  
 HIH investigation, 5, 11, 18

## I

income  
   administered, 98  
   statement, 57  
 Indonesian, 6  
 industrial and workplace relations, 34  
 information technology (IT), 6, 35  
 insider trading, 19  
 insolvent trading, 5, 11, 19, 28  
 insurance  
   under-insurance, 22  
 insurance and indemnities (ASIC), 45  
 international cooperation, 6, 25  
 interest bearing liabilities (ASIC), 87  
 international financial  
   reporting standards, 11, 28, 31  
 investment fraud, 21  
 investment schemes, illegal, 5, 20

## J

James Hardie investigation, 5, 18

## K

knowledge management, 37

## L

legislation, 38  
 liabilities administered on behalf  
   of Government, 101  
 licensees  
   compliance, 27

liquidators  
   assistance to, 5  
   discipline, 20  
   reports from, 23

## M

management, 42  
 Ministers responsible, 43  
 misconduct, reports of, 23

## N

NAB currency traders, 5, 11, 18  
 National Exchange Pty Ltd, 20  
 non-cash payment facilities, 30  
 non-financial assets (ASIC), 84–86

## O

Offset Alpine investigation, 5, 18  
 One.Tel investigation, 5, 18  
 online searches, 32  
 operations and staffing, 32–35  
 summary, 17  
 organisation, 16  
 outcomes and outputs, 13, 14, 107–110  
 outlook, 7

## P

Parliament, reporting to, 43  
 payables (ASIC), 86–87  
 performance data  
   six year summary, 51  
 Primelife Corporation Ltd, 20  
 priorities, 1, 4, 7, 11  
 privacy, 44  
 Project Wickenby, 5, 18  
 property review, 36  
 prospectuses, 11, 28, 30  
 provisions (ASIC), 88  
 public information  
   online use, 32  
 publications, 48

## R

Regional Commissioners, 16, 41, 46  
 regional involvement, 46  
 regulation, 30–31  
   ASIC in regulatory picture, 38–39  
   better *see* Better Regulation project  
   leading debate, 9  
   operational summary, 17  
 regulatory risks, 6  
 related party disclosures (ASIC), 91  
 relief applications, 31  
 remuneration (ASIC)  
   auditors, 92  
   Commissioners and executive

officers, 42, 91–92  
 reported crime & misconduct, 23  
 results, 11  
 revenues, operating, 78–79  
 reverse mortgages, 22  
 risk management, 44, *back cover*

## S

schools competition, 46  
 security, 44  
 senior management, 16, 41  
 service charter, 6, 8  
 six year summary, 51  
 special accounts (ASIC), 103  
 staff, 15, 15, 32  
   average levels, 94  
   basis of employment, 34–35  
   complaints about, 44  
   development, 15, 33  
   equal opportunity and merit, 33–34  
   ethics, 44  
   industrial and workplace relations, 34  
   location, 35  
   performance management, 15  
   statistics, 1, 15, 33–35  
   workforce planning, recruitment  
   & selection, 15  
   workplace safety, 15, 33  
   workplace satisfaction, 15  
 stakeholders, information for, 46  
 statements of advice, 11, 30  
 States & Territories, relationship with, 43  
 statutory boards and tribunals  
   expenditure, 93  
 Summer School, 9  
 superannuation  
   choice of fund, 3, 4, 11, 19, 22,  
   26–27, 30, 32  
   fraud, 21

## T

targets, 6, 13, 17  
 telephone enquiries, 32  
 Tweed, David, 20

## U

unclaimed money, 37, 102

## V

values, 1  
 vision, 1

## W

Westpoint group, 5, 11, 12–13, 18  
   online questionnaire, 23  
   telephone assistance, 32  
 Wickenby, Project, 5, 18

# Contact details

## How to find ASIC

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

### For consumers and investors

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

## How to contact ASIC

Email: [infoline@asic.gov.au](mailto:infoline@asic.gov.au)

### Phone us

To report misconduct in financial markets, financial services and products, companies, company directors, auditors, liquidators and company administration. For information on consumer rights, ASIC policy and procedures:

**1300 300 630**

For help with company annual statements, notification of changes to company details, routine company compliance, document lodgements, deregistration and reinstatements:

**03 5177 3988**, or call the ASIC Service Centre in your capital city

### Mail us

For Commissioners and for enforcement, consumer protection, compliance, regulation, operations, finance, and corporate affairs:

**ASIC, GPO Box 9827 in your capital city**

For company annual statements, notification of changes to company details, routine company compliance, document lodgements, deregistration and reinstatements:

**ASIC Information Processing Centre  
PO Box 4000  
Gippsland Mail Centre VIC 3841**

### Visit us

**Melbourne**, level 13, CGU Tower, 485 La Trobe Street, Melbourne (In November 2006, we expect to move to 120 Collins Street, Melbourne)

**Sydney**, level 18, 1 Martin Place, Sydney  
(For company registration, document lodgement, searches & fees, visit level 8, City Centre Tower, 55 Market Street, Sydney)

**Adelaide**, level 8, Allianz Centre, 100 Pirie Street, Adelaide

**Brisbane**, level 20, Commonwealth Bank Building, 240 Queen Street, Brisbane

**Canberra**, level 5, Minter Ellison Building, 15 London Circuit, Canberra

**Darwin**, level 5, Harbour View Plaza, 8 McMinn Street, Darwin

**Hobart**, level 2, Telstra Centre, 70 Collins Street, Hobart

**Perth**, level 3, 66 St Georges Terrace, Perth

**Traralgon**, ASIC Information Processing Centre, 14–22 Grey Street, Traralgon, Victoria

Print: ISBN 0-9758195-7-7

Online: ISBN 0-9758195-8-5



## ASIC achievements recognised 2005–06



### Annual reporting: 2004–05 Annual Report

'Gold Award' 2006 for overall excellence in annual reporting from the Australasian Reporting Awards Inc.



'Distinguished', Australia 2005 and 'Distinguished', highest grade international award 2006, from the Society for Technical Communication's International Technical Publications Competition.

ASIC *Annual reports* available from [www.asic.gov.au](http://www.asic.gov.au) or phone 1300 300 630.



**Risk management:** Winner, 'Excellence in Risk Management', 2005, from our insurer Comcover, for our comprehensive and mature approach to risk management. Also, highest five-star rating from Comcover, as assessed by Standard and Poor's.



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