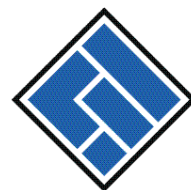




annual report



ASIC

Australian Securities &
Investments Commission

until 30 June 1998 the
Australian Securities Commission

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About this report

This report is produced under section 36 of the *Commonwealth Authorities and Companies Act 1997*. We met the requirement to transmit it to the Minister in time for tabling in Parliament on or before 30 October. We obtain and use feedback about our report from Parliamentarians. We aim to meet best practice in reporting as well as legal requirements. Last year's report won a silver award from Annual Report Awards Australia Inc.

HIGHLIGHTS

What we achieved

In an independent survey, stakeholders said we had improved our effectiveness.

85% of corporate investigations and 70% of market investigations completed on time.

90% of enforcement actions successful; 26 corporate criminals gaoled.

1.8 million Telstra investors and 1.4 million AMP investors used simpler prospectuses and special trading facilities that our staff made possible.

Illegal investment schemes detected and shut down, and the public warned.

94% of company information lodged on time, the highest ever achieved, and 54% of annual returns lodged electronically.

Our staff increased performance despite staff reductions.

On time and on budget for our transition to the Australian Securities and Investments Commission and for reforms to managed investments.

Areas for improvement

Stakeholders wanted better results and more information on enforcement. (We will increase direct communication and maintain focus on fixing important market problems.)

Electronic incorporation and electronic payment deferred because of more pressing tasks. (We will work to make electronic lodgement more attractive.)

ASIC AT A GLANCE

WHAT ASIC IS

The Australian Securities and Investments Commission is an independent government body that enforces and administers the Corporations Law and consumer protection law for investments, life and general insurance, superannuation and banking (except lending) throughout Australia.

Until 30 June 1998, we were known as the Australian Securities Commission and we began carrying out our new responsibilities under our new name on 1 July 1998. We are established under the *Australian Securities and Investments Commission Act 1989*.

We are accountable to the Commonwealth Parliament through the Treasurer, the Hon Peter Costello, MP, who may give us directions under sections 12 and 14 of the ASIC Act. None was given.

OUR PURPOSE

Our purpose is to reduce fraud and unfair practices in financial markets and financial products so consumers use them confidently and companies and markets perform effectively.

WHAT WE DO TO CARRY OUT OUR PURPOSE

- ◆ We set and enforce standards for financial market behaviour and for selling financial products, including investments, insurance, superannuation and banking (except lending).
- ◆ We obtain information on Australia's one million companies and make it publicly available.

HOW WE MEASURE PERFORMANCE

We measure performance by tracking our results against key indicators, by obtaining feedback from those to whom we are accountable and by asking those who deal with us to rate our effectiveness every two years.

THE PEOPLE WHO MAKE UP ASIC

We employed 1,152 staff (over 95% under the *Public Service Act 1922*). 658 staff worked on enforcement and regulation in eight Regional Offices, 340 staff worked in our Information Processing Centre and 12 Business Centres around Australia, and 154 staff worked in our National Offices in Melbourne and Sydney.

ASIC is led by three full time Commissioners appointed by the Governor-General: Chairman Alan Cameron AM, Deputy Chairman Peter Day, and Commissioner Jillian Segal. The Minister appointed acting Commissioners during vacancies and absences. National Directors provided national coordination and Regional Commissioners and Information Division Directors managed ASIC offices in each State and Territory. See page 54.

FURTHER INFORMATION

Contact our Infoline on 1300 300 630 or our website <http://www.asic.gov.au>

1997-1998 – SUMMARY OF RESULTS

This report covers the activities of the Australian Securities Commission. Our new responsibilities only took effect from 1 July 1998.

What we set out to do	What we achieved
To maintain effectiveness despite a reduced budget by concentrating core activity on what makes the most difference, and by integrating our enforcement and regulatory activities.	<p>In an independent survey, stakeholder perceptions of our performance increased favourably across the board from the last survey in 1996, except for enforcement where ratings stayed the same.</p> <p>In all our regulatory work, performance was on target or better. Telstra and AMP investors used simpler prospectuses and special trading facilities that our staff made possible. We registered 68% of prospectuses within five business days, only 2% below target despite a 13% jump in workload</p> <p>Our staff succeeded in 90% of enforcement actions and completed all 85% of corporate investigations and 70% of market matters on time.</p> <p>Enforcement and regulatory teams worked more closely together and jointly committed resources to important matters.</p> <p>We ran effective campaigns combining enforcement, regulation and communication against illegal investment schemes and other problems.</p> <p>The timeliness of company information increased to a record 94.3%. Our Information Division staff maintained customer service despite a 25% drop in staff over the past two years.</p> <p>We increased the percentage of companies lodging annual returns with us electronically to 54%, but our progress on electronic incorporation and payment systems was slower than expected.</p>
To focus support effort on what makes core business most effective and to cut costs with special emphasis on support and administrative overheads.	<p>We consolidated support services but they may have been overstretched. We should resolve this in the coming year.</p> <p>Support and administrative overheads cut by about \$1 million.</p>
To ensure we were ready for change by downsizing quickly, reforming the management and leadership culture and retaining a strong policy and change management capacity.	<p>On time and on budget for major reforms to finance sector regulation and managed investments.</p> <p>For budgetary reasons, we reduced staff by about 100 by 30 September 1997. The process affected morale. (Extra resources for our new role let us recruit staff in 1998.)</p> <p>Management changes improved performance.</p>

KEY RESULTS WITH THREE YEAR COMPARISON

Result	1997/98	1996/97	1995/96
Total running costs			
\$ millions	116.9	118.5	121.7
% annual change	(1.4%)	(2.6%)	(2.5%)
Staff: full-time equivalents	1,152	1,191	1,398
% annual change	(3.2%)	(14.8%)	(9.8%)
Fees transferred to the Commonwealth			
\$ millions	326	298	275
% annual change	9.3%	8.2%	6.9%
Enforcement actions			
Actions completed	199	178	293
% annual change	11.8%	(39.2%)	n/a
Enforcement actions			
% successful	90%	84%	78%
% annual change	7.1%	7.6%	(3.7%)
New investigations	215	186	155
% annual change	15.6%	16.6%	(39.4%)
Corporate investigations			
% completed on time	85%	67%	61%
% annual change	26.8%	8.9%	n/a
Market investigations			
% completed on time	70%	48%	30%
% annual change	45.8%	60%	n/a
Fundraising relief applications	2,373	2,050	n/a
% annual change	15.7%	n/a	n/a
Fundraising relief applications			
% processed on time	83%	65%	n/a
% annual change	27.6%	n/a	n/a
Prospectus registration			
% on time	68%	75%	54%
% annual change	(9.3%)	38%	(6.6%)
Company information			
% lodged on time	94.3%	90%	78%
% annual change	4.8%	14.0%	(2.5%)
Electronic lodgement			
% annual returns lodged electronically	54%	45%	20%
% annual change	20%	125%	n.a
On-line company information searches			
% searches on-line	88%	84%	78%
% annual change	4.7%	7.6%	n/a
Calls to Infoline	89,000	70,000	n/a
% annual change	27.2%	n/a	n/a
% Infoline callers assisted on the spot	92.7%	75%	n/a
% annual change	23.6%	n/a	n/a
% IT system available			
Mainframe	99.8%	98.0%	99.9%
% annual change	1.8%	(1.9%)	n/a

OUTLOOK

We are in transition, absorbing wider responsibilities for consumer protection in banking, insurance and superannuation. We will continue the broad philosophy of regulation established under the ASC. For at least an initial period, we will continue the former Insurance and Superannuation Commission's policies. After that we will turn to issues and reforms which may be required.

Our work on Corporations Law matters will continue. We will give priority to promoting honest and fair markets for listed companies, and to our small business initiatives, which include enforcement action against insolvent trading and bankrupts managing companies.

Our immediate objectives for 1998/99 are:

1. to take on and integrate our new ASIC core business activities;
2. to develop core business programs through sophisticated compliance and information strategies;
3. to improve infrastructure, with measurable improvements in work environment, service delivery and communication; and
4. to continue cost and efficiency initiatives.

SIGNIFICANT EVENTS



JULY

Simon Hannes committed for trial on insider trading charges

JB Were stockbrokers agreed to improve compliance procedures after breaching law inadvertently

Our staff obtained winding up order for failed ECCCL investment scheme

SEPTEMBER

Government announces expanded consumer role for ASIC

We permitted Telstra 2 part prospectus

Cooperative ASIC review of Burns Philp Ltd writedowns begins.

DECEMBER

James Corner's custodial sentence concluded

Spedley trials

Our staff ensured former CC Amatil Ltd executive, Muhtar Kent, returned his profits from trading company shares ahead of profit announcement

Lateral futures investment scheme put into liquidation

OCTOBER

We warned investors about offshore deals offering little protection

2 new ASIC Commissioners appointed

List of licensed investment advisers posted on our website

AUGUST

Alan Bond's sentence increased

We approved first short managed investment prospectus

Merrill Lynch Futures and Brierley Investments Ltd swap agreements referred to takeovers panel

NOVEMBER

Southern Cross Airlines director, Douglas Reid, found guilty on ASIC charges

ASIC Chairman chosen to head world financial supervisors group





FEBRUARY

Jan McCahey appointed as ASIC Chief Accountant

Financial Complaints Referral Centre opened to help consumers

APRIL

April Fool's Day campaign highlighted high return, high risk investments

WA stockbroker Russell Cribb pleads guilty to insider trading

Insider trading charges laid over dealings in Mt Kersey shares

Melbourne accountant gaoled for insolvent trading

JUNE

ASIC legislation, Managed Investments Act, Company Law Review Act passed

Warned about, and closed down, phoney international bond schemes

Small companies warned about Y2K problems

AMP share trading began

MAY

5000th provider of electronic company information lodgement signed up in Darwin

AMP shareholders warned about unscrupulous offers to buy their shares ahead of AMP float

MARCH

Investors warned about computer investment programs

Wattle group investment scheme involving \$130 million, closed; 2700 investors face losses

1998

JANUARY

Russell Goward sentenced to gaol on Westmex charges

Former Adelaide Retireinvest representative, Kenneth Laming, banned for life

**MINIMISE TAX!!!
MAXIMISE PROFITS!!!**

BLUEBOTTLE FARMS

50% RETURN

Until recently Bluebottles were regarded as a lowly pond weed. But thanks to scientific research, the potential of this aquatic plant as a source of income is being realised. Bluebottle Farms is a leading national company in the production and sale of Bluebottles. The new two year plan will see large growth in Bluebottle farming and the production of Bluebottle products. If you're prepared to invest in the future, Bluebottle Farms can help you. Contact Bluebottle Farms for the full details. Tel: 1300 300 678.

ASC orders former CCA

Regulation

John Macleay

Turkey, which has no extradition treaty with Australia.

The Australian Securities Commission has forced a former senior executive of Coca-Cola Amatil to pay back a \$400,000 profit he made from short selling CCA shares ahead of the company announcing a drastic profit downgrade.

The ASC left open the possibility of criminal proceedings against Muhlar Kent, former managing director of the global softdrink company's European division.

But Mr Kent, a Turkish national who holds Turkish citizenship, is in Turkey, which has no extradition treaty with Australia.

The voluntary repayment by Mr Kent is part of an ASC-brokered out-of-court settlement which waives any civil claims which could be made against him by the purchasers of 100,000 CCA shares which he short sold on the Australian Stock Exchange on November 15, 1996.

ASC national director, enforcement, Joe Longo said the civil settlement in no way acted as an impediment to any criminal proceedings that might arise from the ASC's investigation into alleged insider trading.

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CHAIRMAN'S REVIEW OF OPERATIONS



On 1 July 1997 the Treasurer launched ASIC and the prudential regulator APRA. ASIC chairman Alan Cameron (right), the Treasurer the Hon. Peter Costello MP and APRA Chairman Professor Jeffrey Carmichael (left).

“Our staff showed tremendous dedication in supporting this major transition, dealing with increased workloads and a heavy schedule of legislative and organisational change, despite reduced resources.”

The Australian Securities Commission became the Australian Securities and Investments Commission (ASIC) from 1 July 1998, and accepted responsibility for consumer protection in financial products and services (except lending). This report covers our work with respect to our traditional functions and it looks forward to the work we will do under our new name.

Our staff showed tremendous dedication in supporting this major transition, dealing with increased workloads and a heavy schedule of legislative and organisational change, despite reduced resources.

Review of results

Indicators show better performance

Our enforcement and regulatory results showed continued improvement over previous years. I am pleased to report more timely completion of investigations and more action on insider trading and on illegal investment schemes. Our public database of company information is working better than ever, and our staff maintained service levels despite staff cuts.

My discussion of the significant issues should be read in conjunction with the table of results and comparisons with previous years on page 4, and with the summary of major operations on pages 20-21.

Progress on key objectives, more to do

We had a difficult start to the year, when significant budget cuts needed to be absorbed. As a first step, we made a rapid reduction in staff numbers and suffered some loss of staff morale as a result. By September 1997 staff redundancies were largely completed, and changes to the way we operate were underway.

We planned to concentrate core activity on what makes the most difference, by reducing some activities and integrating enforcement action into all our regulatory programs. Our staff implemented this change willingly, and we maintained our overall effectiveness.

We aimed to focus support effort on what makes core business most effective. This process is still under way and while some support services may have been overstretched, I believe this should be resolved in the coming year. Cost savings, especially in support and administrative overheads, were about \$1 million.

Finally we wanted to be ready for change by reforming the management and leadership culture and retaining a strong policy and change management capacity. By 30 June 1998, we made the transition to our new,

In the Chairman's review we cover:

- ◆ review of results
- ◆ our stakeholders
- ◆ management issues
- ◆ looking ahead



Alan Cameron, AM, BA, LL.M (Hons)
Chairman

Alan Cameron is a lawyer. He has been appointed Chairman of ASIC until 31 December 2000, and had served as Chairman of the ASC from 1 January 1993. Previously he was Commonwealth Ombudsman, and before that, national executive partner of Blake Dawson Waldron, solicitors. He has held a range of other appointments and has been a director of a number of companies.

He is an ex-officio member of the Companies and Securities Advisory Committee and the Council of Financial Regulators, and a Board member of the Australian Prudential Regulation Authority. He is Chairman of the Joint Forum on Financial Conglomerates, an international body working on the regulation of firms active in banking, insurance and securities.



Peter Day, LLB, MBA, FCA, FCPA
Deputy Chairman

Peter Day is an accountant. He was appointed Deputy Chairman of ASIC until 30 September 2000. He was previously Managing Director, Group Business Services for Rio Tinto Ltd, and formerly Vice President of Strategic Analysis and Planning for Comalco and Chief Financial Officer of the Commonwealth Aluminium Corporation in the USA.

He has significant experience in financial reporting, capital markets and business services, and is past Chairman of the Group of 100, Australian Accounting Standards Board and Urgent Issues Group. He is also an active member of the professional accounting bodies.

wider role and we were ready for major changes to corporate governance arrangements and the law on managed investments. There is more to do but I am confident that this better performance can be sustained.

Our clients see some improvement

We carried out our two yearly market survey of our effectiveness this year. Those who dealt with us saw improvements across the board in our effectiveness, except enforcement where our ratings did not change. In preliminary interviews, they said we should be doing more to enforce the Corporations Law, although they also acknowledged our limited resources for the task at hand. In fact, our enforcement caseload has remained steady, despite reduced funding and one fifth fewer staff than two years ago.

That said, we have decided that we can, and should, achieve higher client ratings on our effectiveness and impact by our next survey in the year 2000. To my knowledge we are the only regulator in the world to ask systematically those who deal with us to rate our performance every two years.

Enforcement success

For the first time we reached our target of completing 85% of our major corporate investigations within 12 months, and completed 70% of our market investigations within 9 months, just 4% below our target. As previous years' data on page 4 shows, this was a major improvement.

We succeeded in 90% of the 199 cases completed this year. This significantly exceeded our benchmark of 70% and might, if anything, be cause for concern; but on review I am satisfied that we selected substantial and serious issues. In 26 criminal matters, the Courts imposed terms of imprisonment. In the civil matters, we took on issues such as insider trading and the use of derivatives to acquire economic interests in shares.

Many stakeholders said they found it hard to know what our law enforcement outcomes were. We have always kept the media informed, but we have now introduced a client newsletter to increase awareness among those most interested in our work. Their knowledge and understanding is critical to delivering a regulatory impact beyond those immediately affected.

Regulatory work protects investors

Our regulatory work is a vital factor in making Australia's markets safer for ordinary investors. The law provides investors with rights designed to reduce fraud and unfair practices, but gives us a great deal of discretion to

permit business to innovate. Our stakeholders acknowledged that we had been successful in this area.

The Telstra float saw us approve, for the first time in a major float, a two part prospectus that confined a great deal of technical information to the second part. This helped over 850,000 investors make their decision, and saved millions of dollars in printing and distribution costs. We also approved a two part prospectus for the AMP float as well as a special facility for policyholders to sell their shares if they wished.

We completed a joint project with the Investment and Financial Services Association on simpler prospectuses for investors in managed investments. Independent testing showed investors found them more effective, although investors found problems in understanding financial terms. This research will encourage investment managers to use shorter prospectuses and to address investors' information needs.

This year we ran campaigns to increase investors' own skills at protecting themselves from cheats, sharp practice and gross incompetence. The messages were simple: invest only where you have a prospectus, take advice only from licensed advisers. Encouragingly, the number of investors using our Infoline increased by 30%, from 3,787 to 5,040. Our 1997 tax driven investment schemes campaign won the national award for investor relations from the Public Relations Institute of Australia.

These campaigns fitted into a new strategy of activities that combined regulation, communication and enforcement to deal with important problems such as high risk investment schemes and related party transactions. The results encouraged us to plan more such activities on a wider basis in the coming year. More details are on page 34.

Major projects delivered

Four major projects dominated the regulatory agenda.

We faced major changes arising from government reform to finance sector regulation. We made the transition to the Australian Securities and Investments Commission, set up cooperative arrangements with the other regulators and recruited key technical staff to help us.

We prepared detailed guidance for the managed investments industry on how to comply with the new Managed Investments Act in time for its 1 July 1998 commencement date. The Act establishes a single responsible entity for investing and looking after investors' funds for all schemes which pool investors' money, in place of the previous dual system of responsibility shared between a trustee and manager.



Jillian Segal, BA, LLB, LLM (Harv.)
Commissioner

Jillian Segal is a lawyer. She specialises in corporate and environmental law. She was appointed Commissioner of ASIC until 12 October 2000. She was previously Special Counsel at Dunhill Madden Butler advising on issues management and prior to that a partner and consultant to Allen, Allen and Hemsley. She has also been a company director with particular experience in the financial services sector.

Among her other interests she was a Professorial Fellow in the Faculty of Law at the University of Wollongong, a member of the Legal sub-committee of the Companies and Securities Advisory Committee and a member of the consultative committee for the Corporate Law Simplification project.



Joe Longo, BJuris (Hons), LLB (Hons), LLM
Acting Commissioner (from 23 April 1997 to 12 October 1997) and National Director, Enforcement

Joe Longo is a lawyer. He was a litigation consultant to the ASC from February 1995 in WA and September 1996 he was appointed the National Director, Enforcement. He was appointed an Acting Commission Member from April 1997. Previously, he was a Commercial Litigation Partner at Parker and Parker, Solicitors.

He is the ASC's representative on Working Party No. 4 of the International Organisation of Securities Commissions and our representative on the Asia Pacific Directors of Enforcement group.

Thirdly, we prepared for numerous changes introduced under the Company Law Review Act, also started on 1 July 1998.

Finally, we consulted closely with Government on the six papers issued under the Corporate Law Economic Reform Programme, affecting director's duties, accounting standards, takeover, fundraising, electronic commerce and market regulation.

Company information results

Accurate, timely company information provides greater certainty in commercial transactions. The number of company documents lodged on time increased for the second year in a row, to 94% compared with 90% last year. We now send a letter to all newly appointed company officers outlining directors' obligations, and contact all office holders who fail to lodge their annual returns on time so they can comply before action is taken against them. This year 54% of company annual returns were lodged electronically, a 20% increase.

Staff and management of our Information Division largely maintained customer service levels, despite a 25% staff cut over the last two years. Continuous improvement in managing workloads across our national network, increased use of electronic services and changed company lodging patterns contributed to this achievement. Companies also took advantage of law reform that permitted them to lodge their annual returns at a time of their choice.

Our Internet company names index has been a major success with over 100,000 searches made each month. This facility began in March 1997. A number of information brokers were also linked to our website, so a full company search can be done entirely over the Internet. Only 12% of all company searches were done off-line in Business Centres. We also increased the number of third party providers of company information.

We had planned to invest more in electronic services delivery, but the departure of some key staff and the need to implement other initiatives slowed down this project. We will pursue these plans in the coming year.

Summary financial information

Our Parliamentary appropriation for running costs in 1997/98 was \$116.9 million, a further reduction on previous years. Staff costs amounted to 52.6% of our running costs including redundancy payments, as we cut staff numbers to live within our budget. Our other major cost is rental for leased accommodation and over the past two years we have achieved a reduction of over 7,000 square metres.

We transferred \$326 million in fees to the Commonwealth, up 9% from last year as a result of higher fees, increased numbers of companies and increased searches of our database. This revenue went into the Consolidated Revenue Fund and is not available to us.

The 1998/99 Federal Budget provided increased funding of \$23 million to cover our additional costs with the transition to the Australian Securities and Investments Commission and other increased responsibilities. Our funding for our continuing activities was not increased. See page 56 for our financial overview.

Our stakeholders

Parliament and government

The Government's legislative program was particularly heavy, with a rapid implementation of the changes recommended by the Financial System Inquiry, and reform of managed investments and company law. The passage of key Acts by 1 July required our input on drafting, our appearance before Parliamentary inquiries and intense preparation for implementation. Commissioners and senior staff appeared on eight occasions before the Parliamentary Joint Committee on Corporations and Securities and other Parliamentary committees.

The role of the Director of Public Prosecutions remained pivotal to our criminal enforcement work and our relationship functioned effectively. We also liaised extensively with other regulators, especially staff from the Insurance and Superannuation Commission (ISC) in the lead up to our assuming various ISC functions on 1 July 1998.

Community involvement

For their support in joint projects during the year, I should particularly thank the Australian Consumers' Association, the Australian Pensioners' and Superannuants' Federation, the Financial Planning Association (representing investment advisers) and the Investment and Financial Services Association (representing investment managers in securities, life insurance and superannuation).

About 1500 people in all attended investor forums on the Gold Coast, and in Melbourne, Hobart, Perth and Adelaide, which I co-hosted with *BRW* Editor Ross Greenwood, to whom I express my personal thanks. In a question and answer format we explained investors' rights and answered questions about issues that concerned them. Our National Investor Liaison Committee (NILC) met twice, and we held a joint industry-investor forum.



Bernie Mithen, BA, GradDip Prof Acc

Acting Commissioner (from
11 December 1996 to 31 September 1997)

Bernie Mithen is an accountant. He joined the ASC as the Executive Director of the Information Division in 1991 and was appointed the Regional Commissioner for Victoria in March 1995. Previously he was the General Manager of CSIRO's Information Division. He is a Fellow of the Australian Society of Certified Practising Accountants, a Fellow of the Institute of Corporate Managers and Secretaries and a member of the EDP Auditors Association.

Consumer liaison will expand in the light of our new responsibilities.

All Commissioners met regularly with the business community and industry associations. Regional Liaison Committees, established under the Corporations Agreement with the States and Northern Territory, usually met four times in each State and Territory, generally attended by another Commissioner or me. These Committees received information on our performance and provided input from the local business community.

Customer service

We issued a customer service charter, after consulting our National Investor Liaison Committee, that set out the standards of service we offer. This plain English charter is available from any of our offices and Infoline.

Our performance against indicators in our charter should be noted. Thirteen complaints about service could not be resolved on the spot and required senior management attention. 83% of registered correspondence was answered within our target times. Our Infoline answered 93% of callers on the spot, a 20% improvement on last year. In the 7% of calls where we promised that the right staff member would get back to the caller within 24 hours, we fell seriously short of our target with only 47% of referred calls being dealt with on time. This will now be monitored more frequently and progress reported directly to managers and Commissioners.

Financial Complaints Referral Centre

In cooperation with the complaints resolution schemes for banking, life and general insurance, superannuation and investment advice, we opened the Financial Complaints Referral Centre, on a trial basis, in February 1998. The Centre dealt with 1,449 callers who did not know how to resolve a complaint and wanted to know the relevant complaints scheme. Call volumes were much lower than expected, and we will review as planned after one year's operation.

Management issues

Commission and senior management changes

The Commission returned to its usual establishment with the appointment in October 1997 of Peter Day as Deputy Chairman and Jillian Segal as Commissioner. They have been well received within the organisation and externally, and are already playing vital roles. For more information about them and their roles see below and pages 9-11.

Four Regional Commissioners changed this year. Bernie Mithen in Victoria left us after making a substantial contribution not only as Regional Commissioner but also as Executive Director of our Information Division, and acting Commissioner. South Australian Regional Commissioner Simon Stretton was replaced by Karen Axford. ACT Regional Commissioner John Pinkerton moved to the NSW Office and NT Regional Commissioner Jan Speirs moved to Queensland Office to focus on commercial operations. My thanks and appreciation to all of them for their achievements and support. For our current Regional Commissioners, see pages 54-55.

Corporate governance

ASIC's activities are directed by three full-time Commissioners. We held 15 formal Commission meetings. Among the three Commissioners, we have a close involvement in all major enforcement and regulatory matters. Our increased responsibilities from 1 July 1998 will cause us to review our meeting and decision making arrangements to ensure that they are appropriate.

In addition, the Regulatory Policy Group, comprising several Commissioners and senior staff, examined new policy in regulatory areas, and made decisions for the Commission unless a Commissioner requested that the issue be referred to the full Commission.

Our Audit Committee has an independent Chair, Ms Merran Kelsall, a senior chartered accountant and company director in private practice. The Committee's charter was widened to conform with Australian National Audit Office and Australian Institute of Company Directors best practice guidelines. The Committee examined internal and external audit matters and risk assessment, and its report is on page 57.

We are accountable to the Treasurer and met with him and his Parliamentary Secretary, Senator the Hon. Ian Campbell, regularly.

Y2K compliance

We completed remediation of our in-house programs for the year 2000 and will test them early in 1998/99. We have installed and are testing new releases and upgrades of vendor supplied Year 2000 compliant software. A Year 2000 test environment is being established that will be used to test our own applications, and will also be used to allow information brokers and other external users of our systems to dial in and safely test the interaction of their systems with our compliant systems.

Like others, we are still waiting for assurances from our suppliers of goods and services as to their compliance.

I have supported the efforts of the Government's Task Force Chairman, Maurice Newman, in raising the Y2K issue with securities and futures licensees and listed companies, and separately we promoted awareness among smaller companies.

Using information technology

Our new litigation support system is being tested in a number of cases, and it simplified copying, searching and serving court documents. It compares well with private sector systems.

We developed systems to implement reforms arising from the Corporate Law Reform Act 1998, the Business Entry Point project, our transition to ASIC and the Managed Investments Act. We began using workflow and groupware software in some business programs on a trial or pilot basis. We expect this software to improve our information management and it will be provided to 300 users in the coming year.

International

We continue to be strong supporters of the International Organisation of Securities Commissions (IOSCO), through membership of the Technical and Executive Committees and chairmanship of the Technical Committee's Working Group on Investment Management. In November 1997, I became Chair of the Joint Forum on Financial Conglomerates established by IOSCO, the Basle Committee on Banking Supervision and the International Association of Insurance Supervisors; major papers on issues arising for regulators dealing with international financial conglomerates were issued for comment during the year.

Looking ahead

Research and development

Solicitors, accountants and corporate advisers use our published policies to advise on commercial transactions. This year we developed a fresh document layout and structure for future policies that made it easier for staff to write and easier for users to find information. It also seeks to meet government policy on consulting those affected by regulation.

Together with the University of Melbourne we began a two year project on

electronic distribution of prospectuses. We already permit such distribution, and the project will identify structural changes that may occur in the Australian capital markets, changes that may be needed to the Corporations Law to take full advantage of this medium, and how to harmonise our prospectus regime with overseas countries.

Projects under way

In a joint project with the Australian Consumers' Association, consumers around Australia visited licensed investment advisers for advice on their needs, with their costs being reimbursed by us. Expert panellists are now assessing the quality of advice given and we will publish a report in October to identify issues and problems for attention.

Although the Internet is a global medium, Australian laws still apply to investment offerings on the web. We are a member of IOSCO Internet Task Force which is collecting information on the current use of the Internet and other electronic networks in the securities industry, and considering regulatory issues relevant to primary and secondary trading of securities and derivatives on the Internet. We are reviewing our policies in this area to ensure they are up to date. We have piloted and expect to extend our Internet surveillance of market manipulation, illegal fundraising and unlicensed investment advisers within Australia.

Outlook

We are now dealing with significant change to our responsibilities and focus, against a context set some two years ago, which has seen us absorb significant staff and funding reductions. This led to a sharper focus on the regulatory outcomes we seek. Our infrastructure is very lean and will need to be carefully monitored to ensure it is able to support our functions. We are conscious of the demands on staff and the constant need to assess and improve infrastructure support systems, management and professional training and organisational structures.

In our first year of dealing with consumer protection in banking, insurance and superannuation, we will familiarise ourselves with the issues and the key participants and put our staffing and organisation in place.

Our work on Corporations Law matters will continue. We will give priority to promoting honest and fair markets for listed companies, and to our small business initiatives, which include enforcement action against insolvent trading and bankrupts managing companies.

Our four immediate objectives for 1998/99 are:

1. to put in place our new ASIC core business activities;
2. to continue developing core business programs through sophisticated compliance and information strategies;
3. to improve our infrastructure, with measurable improvements in work environment, service delivery and communication; and
4. to continue cost and efficiency initiatives.

We will turn our attention in ASIC's second and third years to the policy and administrative issues relating to our new responsibilities, and to any necessary reforms which may be required, having regard to the Wallis report and the government's legislative program.

I am proud of the Australian Securities Commission's contribution to Australia, and am confident in the Australian Securities and Investments Commission's ability to carry out its expanded role effectively and enthusiastically.

A handwritten signature in black ink, appearing to read 'Alan Cameron', followed by a long horizontal line.

Alan Cameron AM

Chairman

OUR NEW PLACE IN THE REGULATORY SYSTEM

The regulatory system for financial services changed on 1 July 1998. We are one of three major regulatory bodies. ASIC regulates advising, selling and disclosure of financial products and services to consumers. We protect markets and consumers from fraud and unfair practices. We remain the Corporations Law watchdog, promoting honesty and fairness in securities and futures markets and in company affairs.

The Australian Prudential Regulation Authority (APRA) provides prudential regulation for deposit taking institutions, life and general insurance companies, and larger superannuation funds.

The Reserve Bank of Australia (RBA) is responsible for monetary policy and the stability of the financial system.

See the *Financial Sector Reform (Amendments and Transitional Provisions) Act 1998* and the *Financial Sector Reform (Consequential Amendments) Act 1998*.

Our stakeholders: the transition from ASC to ASIC

Until 30 June 1998, we were known as the Australian Securities Commission. We began carrying out our new responsibilities under our new name on 1 July 1998. We now enforce and administer the Corporations Law and consumer protection law in investments, life and general insurance, superannuation and banking (except lending) throughout Australia. This table shows our old and new stakeholders.

People we are accountable to (these stay the same)	People who dealt with us and will go on doing so	New people who will deal with us
Commonwealth Parliament The Treasurer Commonwealth Ombudsman Administrative Appeals Tribunal Federal and State courts State Attorneys-General	Investors Company directors Legal, corporate and accounting professionals The Australian Stock Exchange The Sydney Futures Exchange Investment advisers Futures brokers Liquidators Auditors Investment managers Professional and industry associations and standard setting bodies Investor organisations Investor complaints handling bodies The media Local and overseas regulators	Consumers Banks Life insurance companies General insurance companies Superannuation companies Insurance agents and insurance brokers Consumer organisations Consumer complaints handling bodies Banking, insurance and superannuation organisations New regulatory bodies

SUMMARY OF OUR MAJOR OPERATIONS

	Regulatory and enforcement operations	Company information	Support services
Who and where we are	<p>658 full-time equivalent staff</p> <p>Eight offices in each State and Territory capital.</p> <p>Expenditure: about \$70 million</p>	<p>340 full-time equivalent staff</p> <p>Information Processing Centre at Traralgon, Victoria, 12 Business Centres in capital cities, Geelong, Newcastle, Gold Coast and Townsville.</p> <p>Expenditure: about \$33 million</p>	<p>154 full-time equivalent staff</p> <p>National Offices in Melbourne (our headquarters) and in Sydney.</p> <p>Expenditure: about \$14 million</p>
What we do	<p>We set and enforce standards for financial market behaviour and for selling securities and futures.</p> <p>From 1 July 1998 we cover all investments, insurance, superannuation and banking (except loans).</p>	<p>We obtain information on Australia's one million companies and make it publicly available.</p> <p>Increased electronic lodgement of annual returns by 32%.</p>	<p>We deliver information technology, management and corporate services and customer call centre services.</p>
What we achieved	<p>Succeeded in 90% of our enforcement action.</p> <p>26 prison sentences.</p> <p>Completed corporate investigations on time. Just 5% short of target for completing market investigations on time.</p> <p>Clients increase favourable ratings of our regulatory work but our enforcement scores static.</p> <p>Completed pilot scheme for shorter, more useable managed investment prospectuses.</p> <p>Registered 68% of 683 prospectuses within five business days, only 2% below target despite 13% jump in workload.</p> <p>Fundraising applications processed on time.</p> <p>Banned 18 unsuitable people from giving investment advice.</p>	<p>Increased electronic searching of company information by 5.1%.</p> <p>94.3% of company information lodged on time, a 4.8% increase.</p> <p>Bedded down simplification of the Corporations Law.</p> <p>Maintained service levels despite staff reductions.</p> <p>Staff and budget constraints slowed electronic project development.</p>	<p>IT system availability maintained despite some localised losses of service.</p> <p>1,574 IT problems resolved within target times, however number of problems reported fell compared with last year's 1,798.</p> <p>Reduced cost of corporate services by \$1 million.</p> <p>Responded to 95% of all Infoline calls (on target) with an average wait to answer of 38 seconds (outside target of 30 seconds).</p> <p>Answered 92.7% of calls without the need to refer the caller to another person (well up on our target of 85%).</p>

	Regulatory and enforcement operations	Company information	Support services
What we plan	<p>To shift more resources into campaign style enforcement.</p> <p>To implement changes required by managed investments legislation.</p> <p>To take on and integrate new functions that come with change to ASIC.</p>	<p>To shift customer interaction from paper-based to electronic environment.</p> <p>To continue improving the accuracy and timeliness of corporate information.</p> <p>To implement changes to Corporations Law resulting from the Corporate Law Economic Reform Program.</p> <p>To increase business input into our strategies.</p>	<p>To implement information technology changes arising from law reform.</p> <p>To replace our financial management information system and file management system.</p> <p>To introduce accrual accounting and output budgeting.</p> <p>To lower costs, increase efficiencies and improve services to comparable best practice performance targets.</p>

2

ENFORCEMENT AND REGULATION



LAND & AIRSPACE PACKAGES.

THE SKY'S THE LIMIT!

Please note: This is not a real investment. Contact 1300 300 630.

A limited number of land and air space packages are being sold off to help fund further airport developments. The land has been zoned industrial and is available in 5 acre lots only. Located directly under the flight path the air space is currently earning huge fly over fees and as the Olympic Games draw closer the projected earnings are set to explode. If you have \$50,000 to invest you must act now. Call AeroState Enterprises for a contract today on **1300 300 630** for the cost of a local call. Loan options are available for certain clients.

The fine print says:
 "This is not a real investment", but more than 700 people responded to our bogus offer on April Fool's Day. Fortunately most callers agreed to accept information from us warning about high return-high risk investments.

"These campaigns fitted into a new strategy that combined regulation, communication and enforcement to deal with important problems such as high risk investment schemes"

What we do

We set and enforce standards for financial market behaviour and for selling financial products, including investments, insurance, superannuation and banking (except lending).

Last year, we were responsible only for securities, futures and managed investments, so this report confines itself to our work in those matters.

Why we do it

We take enforcement and regulatory action

- ◆ to reduce fraud and unfair practices in financial markets and financial products,
- ◆ to maintain, facilitate and improve the performance of the financial system and the entities within it, and
- ◆ to promote the confident and informed participation of investors and consumers in the financial system.

Our staff and our costs

About 658 staff or 57% work in enforcement and regulatory activities, located in Regional Offices in each State and Territory. These staff have backgrounds in accounting, law, investigation, using Court processes and other commercial matters.

These activities cost about \$70 million or 59% of our running costs.

How we performed

Our performance against key indicators was:

- ◆ Independent research in 1998 showed stakeholders believed we made a positive contribution to the honesty and integrity of markets. Our results showed overall improvements in all aspects of regulation, but a perception that our effectiveness in enforcement needed improvement.
- ◆ We completed 85% of our major corporate investigations within twelve months, on target for the first time, and up on last year's result of 67%. We completed 70% of market investigations (such as referrals from the stock exchange) within nine months, just 5% short of our target and up strongly from 48% last year. The issue of timely investigations has been with us for a long time. This year's improved performance resulted from better planning and better case tracking. This can be sustained.
- ◆ Our staff succeeded in 90% of our enforcement action (both criminal and civil), exceeding our target of 70%. In criminal matters, the Courts handed down 26 prison sentences.

Enforcement and regulation

In this section we cover:

- ◆ what we do
- ◆ why we do it
- ◆ our staff and costs
- ◆ how we performed
- ◆ our impact
- ◆ our strategies
- ◆ investments
- ◆ markets
- ◆ major corporates
- ◆ small business
- ◆ complaints
- ◆ outlook

- ◆ We completed our pilot scheme for shorter, more useable managed investment prospectuses, and user testing found the shorter documents communicated important information more effectively than the longer ones.
- ◆ Prospectuses for two large floats were handled effectively, including innovative relief to enable shorter documents to be issued to thousands of investors.
- ◆ We registered 68% of 683 prospectuses within five business days, slightly below our 70% target and down on 75% last year. Prospectuses jumped 13% on last year. We processed 83% of fundraising applications within ten business days, well above our target of 70%, and up on 65% last year.
- ◆ We banned 18 unsuitable people from giving investment advice.

Our impact

In 1998 for the first time (but as part of our regular tracking survey) we asked stakeholders about the impact they felt we had on the market and on their firm.

% clients believing our impact is very high or quite high

(4-point scale from “no impact” to “very high impact”)

Group or activity	Very high or quite high impact on the market	Very high or quite high impact on my firm
Investment advisers	56%	44%
Investment managers	71%	38%
Prospectuses	60%	35%
Financial reporting	51%	29%
Investigations	42%	28%
Takeovers	40%	27%
Auditors	33%	22%

We intend to track this data every two years and lift these scores from their current levels. We will also add new stakeholders to cover our expanded role.

Our strategies

This year we concentrated our core activity on matters that would make the most difference to the market. We reduced some activities and worked to integrate enforcement action into all our regulatory programs, rather than treating enforcement as an entirely separate activity. Our surveillance,

inspection and enforcement is targeted according to complaints we receive and our own analysis of problem areas.

We had five major programs of activity: investments, markets, major corporates, small business and complaints management.

Investments

This program dealt with

- ◆ fundraising and disclosure
- ◆ marketing of managed investments
- ◆ fund registration
- ◆ licensing, and
- ◆ provision of financial advice to retail investors.

Fundraising

The partial sale of Telstra and the public listing of shares in AMP Ltd brought hundreds of thousands of new investors into the share market. We helped these large share offers by permitting two part prospectuses, where all investors received a shorter document and only received a longer document with more technical information on request. Investors appeared satisfied with the shorter documents since very few requested the longer ones. We also permitted the Commonwealth to stabilise the price of Telstra shares in the first month of trading, although this proved unnecessary. AMP used our permission to establish a special facility to purchase shares from policyholders who wished to sell at the time of the public offer.

We registered 683 prospectuses. We received over 2,700 applications for relief from strict compliance with the fundraising laws, where we had to weigh the benefits to investors of new products coming on to the market against possible loss of investor protection.

We refused to register some prospectuses that did not appear to comply with the law. For example, we refused to register a prospectus for Exeter Group Ltd because it was totally unclear where the company would invest the money it raised. The Administrative Appeals Tribunal upheld our decision, saying the offer to investors might as well have been a lucky dip.

Illegal fundraising

Falling interest rates and the increasing number of Australians involved in investing provided a ready market for promoters of illegal fundraising schemes offering high returns.



We ran several campaigns asking the public to invest in securities only when they receive a prospectus (or to check with us first if there is none) and to seek advice only from licensed advisers. Investor calls to our Infoline increased 30% from 3,787 to 5,040, and calls from the general public jumped 77% from 4,518 to 7,997.

Without a prospectus or a properly structured investment company, investors are deprived of a reasonable standard of information or ongoing safeguards to protect their money.

A prime example was the Wattle Group which we shut down in March 1998. Wattle was the trading name for former bankrupt Geoffrey Dexter, who raised over \$130 million by promising 50% p.a. returns. Investors gave money as personal loans to Dexter supposedly as short term finance for various businesses. The scheme is now being wound up. Mr Dexter has been declared bankrupt. More than 2,700 investors lost their money and our investigations are continuing.

We shut down schemes or insisted on adequate investor protection in international bonds, speculative mining projects in Papua New Guinea, marinas, agricultural schemes, property mortgages schemes and computer software financing and share and derivatives trading systems.

Accounting and disclosure

We increased our accounting expertise by appointing Chief Accountant Jan McCahey, Deputy Chief Accountant Doug Niven and National Accounting Adviser Paul Moni. The Office of the Chief Accountant now advises on accounting, financial reporting, disclosure and auditing matters. The office services our regional offices and assists the Australian Accounting Standards Board and the Urgent Issues Group to establish improved accounting standards.

At the Senate's request, we reviewed the first two years' operation of new provisions which established different financial reporting obligations for large and small proprietary companies. Our review concluded that the new law had, as intended, reduced reporting requirements for most proprietary companies, but strengthened the requirements for companies which have a significant economic impact.

Managed investments reform

The Managed Investments Act, which took effect on 1 July 1998, establishes a single responsibility entity in place of the current dual structure of investment manager and trustee in managed investment

schemes. In barely six months we consulted with industry and investor organisations and settled detailed policies so investment managers could use the new legislation as soon as practicable.

Four investment managers took part in a live test we conducted with the Investment and Financial Services Association of short and long prospectuses. Some investors received a long prospectus, others the short ones. Independent research showed that while investors felt more comfortable with the longer documents, the shorter documents succeeded better in communicating the information needed for investment decisions. We will now permit managers to use simpler prospectuses.

Failed schemes under investigation

The collapse of EC Consolidated Capital Ltd, from which about \$33 million in investors' fund disappeared, is under investigation. It was a wholesale fund, in which investors placed sums of more than \$500,000, and did not have to issue a prospectus or set up the same structures for investor protection as retail funds. Lateral Trading Limited was a managed investment which promoted itself as investing in the futures markets. About 700 people invested \$16 million most of which has been lost. Many had invested superannuation money, and may have received inappropriate investment advice when they entered these schemes.

We also investigated the collapse of mortgage investment funds Tietyens in Albury and Growdens in Adelaide, and we are reviewing the rules under which these schemes presently operate.

Investment advice

Over the last few years, we have worked hard with the financial planning industry to lift standards of investment advice. Advisers tell us that we have had a substantial impact both on the market and their firms. See page 24. To assess the quality of advice, we cooperated with the Australian Consumers' Association in recruiting people to seek financial advice and provide 100 plans to an expert panel. Results are expected in October 1998.

While most advisers are honest and competent, we banned 18 advisers from the industry and took criminal action in some cases to protect the public. See pages 35-36 for more details.

Regulations to require all advisers to provide clients with an advisory services guide that outlines their rights and the firm's services will come into force in October 1998, along with a requirement that all firms join an external complaints resolution scheme.

Internet surveillance

Our pilot Internet surveillance project used Internet tools to search for market manipulation, illegal fundraising activities and unlicensed investment advisers/securities dealers. We shut down a number of illegal websites. It is envisaged that this project will form the basis of a permanent Internet surveillance program.

Markets

This program dealt with

- ◆ the operation of the securities and futures markets, including investigations and referrals from the exchanges
- ◆ the behaviour of listed public companies in the capital markets.

Insider trading and market manipulation

While insider trading cases are hard to prove, our investigative methods improved and we recorded some successes. A former Coca Cola Amatil Ltd executive, Muhtar Kent, who was based overseas traded in the company's shares ahead of a major profit announcement. At our instigation, in December 1997, he paid back profits in a civil settlement. In May 1998, former WA stockbroker Russel Cribb was convicted and fined on ten counts of insider trading in Cortecs Ltd shares.



Two other matters are awaiting decisions by the Courts. Simon Hannes was committed for trial for allegedly trading in TNT options ahead of the takeover announcement of which he allegedly had prior knowledge. Charges were laid in April 1998 against Greg Doyle a dealer at JB Were's Melbourne desk and a company director, Alan Evans. Both were alleged to have traded with "inside" information in Mt Kersey Mining NL shares.

We also investigated alleged market manipulation. In one matter, Michael Robert Shearer was sentenced to 18 months' gaol. He had traded large numbers of shares in Reef Mining NL using fictitious names in the hope that the trading would cause the share price to increase and allow him to profit. Russell Goward pleaded guilty to a charge of issuing a false statement in relation to his company Westmex Ltd, and was sentenced to two years' gaol.

ASX referrals

During the year ASX referred 38 share trading matters for our attention. Whilst most of the matters cannot be discussed as they are still under investigation, the referrals covered issues such as insider trading, market manipulation, disclosure, and substantial shareholder notice requirements.

We also received a referral in relation to a possible breach by Crown Ltd of the continuous disclosure rules. The timing of two announcements is at issue: first, the apparently large losses sustained in Crown's international business, and second, decisions not to construct a second hotel tower and theatre. The matter is being investigated. Crown sued the ASX for referring the matter and sued us for allegedly releasing confidential information, an allegation which we deny.

Takeovers and acquisition of shares

We monitor takeovers closely to make sure that the market is properly informed and that shareholders, large and small, are treated fairly.

We referred one matter to the Corporations and Securities Panel where we believed there had been unacceptable conduct. Merrill Lynch Futures and Brierley Investments Ltd entered into cash settled equity swaps referable to shares in John Fairfax Holdings Ltd. We were concerned that the use of swap agreements appeared to circumvent the spirit of the takeover laws and we sought the Panel's ruling. After legal challenges to our application were dismissed, the Panel concluded that there had not been unacceptable conduct. Notwithstanding the Panel's finding in that case, we remain concerned about the use of swaps, and signalled that we might invite the Panel to consider the issue again at some stage.

In another matter Were Stockbroking Ltd breached the law when it acquired News Corporation's parcel of PMP Communications Ltd shares as part of an exercise by News to sell down a parcel of over 20%. We inquired and concluded the breach was inadvertent, and Were's agreed to sell down their interest, not to vote their shares and to improve compliance procedures.

Stock exchange regulation

We worked intensively on the demutualisation of the Australian Stock Exchange, agreed by ASX members in October 1997, by reviewing the new legislation and preparing policy and operational procedures. From 14 October 1998, shares in ASX Limited will be traded on ASX's market. We will be responsible for approving the listing application and the continuing supervision of ASX as a listed entity. ASX will pay for ASIC's services on a commercial basis, with the listing fees going to consolidated revenue.

We worked with ASX on an upgrade of its trading platform (SEATS), the conversion of the Australian Options Market from floor trading to screen trading, and the approval of a business matching service, the Enterprise Market. We have also been involved in approval of a number of trial "end of day" markets to improve the overall liquidity of ASX markets.

We worked with two local stock exchanges, Newcastle Stock Exchange and Bendigo Stock Exchange, on proposals to revive them as specialised stock exchanges. We also dealt with the first application for a stock market approval under the special provisions about stock markets for trading interests in managed investment schemes. This was subsequently approved by the Minister.

Futures markets regulation

We considered changes to Sydney Futures Exchange rules made as part of a restructure of the exchange's disciplinary procedures, and rules permitting offshore traders to deal directly on SFE's SYCOM trading system. SFE also announced this year that it will move to electronic trading early in 1999. This is a response to changes in the futures industry and mirrors trends in major overseas markets. We will work closely with SFE in the transition to a fully screen-based futures market.

We continued to work closely with electricity market participants on regulatory aspects of the derivatives markets. We began a review of our derivatives policy as it applies to electricity market activities.

Major corporates

This program dealt with

- ◆ corporate governance and serious corporate fraud
- ◆ related party transactions
- ◆ breaches of directors' duties
- ◆ insolvent trading.

Corporate governance

We are seeking to raise standards of corporate governance in several ways. We are facilitating exchanges of ideas on the issues between market participants with different perspectives, and we are looking closely at recent events to discover what lessons can be learnt and disseminated. We expect to cooperate in regional initiatives on the subject as well.

Serious corporate fraud

As a result of our investigations, 16 directors were sentenced to prison this year for cheating their companies. See pages 36-37. Our primary sources of information were company liquidators who discovered breaches of the law as they wound up failed companies. It is unsatisfactory that these matters came to light only after money was lost, but if directors act dishonestly the chances of discovery before the company has collapsed are fairly remote unless there is a whistleblower inside the company.

We have been disappointed by the long time taken over the investigation into transactions between Coles Myer Ltd and shelf company Yannon. The matter has been complex, and procedural issues argued in the Courts created further delay. We will complete this matter but it is not appropriate to say more while it is in progress.

Campaign style regulation and enforcement

We recently tested some campaign based activities where we believed problems existed. Our WA office did field interviews to see if the law on related party transactions was being observed. Although that research indicated there were not many serious breaches, directors appeared unfamiliar with what they had to do. A local information campaign helped directors understand the issue. In NSW we took action in the computer industry where thin profit margins had caused insolvent trading. Our actions against Forem Freeway and Empire Computers attracted local publicity and raised the issue in the industry. National campaigns on high risk investments and international bond schemes also combined enforcement, regulation and public communication.

Clutha Ltd investigation

We completed an exhaustive investigation into coal mining company Clutha Ltd which collapsed in February 1995, three months after it raised a substantial amount of capital. We investigated what Clutha's directors knew about the company's financial prospects at the time they raised the capital, particularly having regard to new limits imposed on gas levels in NSW coal mines which had a potentially adverse effect on Clutha's production levels. We concluded that the evidence did not support our taking action against those involved in the management of the company. Our conclusion was supported by detailed advice from the DPP and independent senior counsel.

The 1980s legacy

A few major cases from the 1980s continued before the Courts. As reported last year, Alan Bond's sentence for his part in stripping \$1.2 billion from Bell Resources Ltd was increased on appeal to seven years' imprisonment. The long-running Budget case concluded when the jury was discharged after failing to reach a verdict in the trial of Bob Ansett and Stanley Hamley over the Budget rent a car prospectus. The DPP decided not to press for a retrial. The long running Pro-Image case concluded with the acquittal of the directors.

Small business

This program dealt with

- ◆ insolvent trading
- ◆ company record keeping
- ◆ poor corporate governance
- ◆ small business education and
- ◆ voluntary administration research.

Insolvent trading

Our surveillance teams specifically targetting insolvent trading and apparent phoenix company activity inspected over 200 companies. We implemented various remedies including prosecution, civil penalties, banning orders, and warning letters to directors. A number of companies also appointed external administrators as a result. In one case, Melbourne accountant John Robert McNabb was gaoled for 14 months for trading while insolvent. Over five years he had obtained approximately \$5 million from more than 300 people to invest in his company.

Company record keeping

Associated with business failure is poor record keeping. We have helped company administrators in 263 instances to obtain Reports as to Affairs (RATAs) and company books and records with liquidators. In 133 other matters we needed to prosecute company officers who did not co-operate.

Corporate governance and regulatory issues

Where company directors have two or more companies which return less than fifty cents in the dollar to creditors, we may ask them to show cause why they should not be prohibited from managing companies. This year we prohibited 90 people from acting as a director. Our website provided a free listing of people disqualified from company management.

We attended to over 1,290 regulatory matters affecting small companies during the year. These included action to eliminate bankrupts from company management, requests from directors and shareholders and applications about assets of defunct companies.

Small business education

We provided speakers and information sheets to small business groups and industry associations. During the year we delivered 139 presentations, and also liaised with private and government organisations set up to assist small

business. We published a “Small Business Update” monthly on relevant issues. Infoline calls from small business owners, directors and company secretaries rose 17%, from 4,034 to 4,716. New company directors now receive a short letter informing them of their obligations.

Voluntary Administration Research

We released a research report on voluntary administrations. It suggested that this new procedure for allowing companies an opportunity to trade through their financial difficulties had largely met its aims. We received 17 submissions in response which will be considered along with the Companies and Securities Advisory Committee’s Report into Voluntary Administration when we make recommendations for law reform, revise our policies or carry out education activities.

Complaints

This program covered

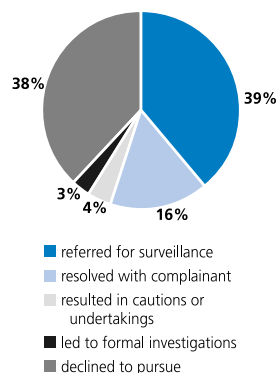
- ◆ communication with people who reported possible breaches of the law
- ◆ deciding whether to investigate
- ◆ identifying appropriate remedies
- ◆ collecting information for targeting particular problems.

Complaints and reports assessed

We assessed 3,798 complaints from the public alleging breaches of the law, up from 3,486 last year. The action we took is displayed in the diagram. 39% were referred for surveillance, 16% resolved with the complainant, 4% resulted in cautions or undertakings, 3% led to formal investigations, and we declined to pursue 38%. We also used the information to build a picture of common problems and to identify companies and people for inspection. Not every complaint can be investigated, and in any case there was often insufficient reason to believe that would be effective.

We assessed 3,711 reports from company liquidators, receivers, administrators and auditors. 2,842 alleged offences. 4% of these reports were resolved, 9% pursued through surveillance, and 1% investigated. In the remaining 86% of cases, the reports were made too late for any useful action to be taken. A further 1,229 reports did not allege any offence but told us of directors of companies that had returned less than 50 cents in the dollar to their creditors.

Complaints and reports assessed



Time taken to investigate and prosecute

The following data shows the time taken between starting an investigation and delivering a brief of evidence to the DPP and between delivery to the DPP and the laying of charges.

	0-3 months	3-6 months	6-9 months	9-12 months	over 12 months	Total matters
From start of investigation to referral to DPP	7	6	9	8	9	39
From referral accepted to laying of charges	31	6	7	0	0	44

Claims for expenses

At the Parliament’s request, here are the details of claims for allowances and expenses under section 89 of the ASC Law by people required to attend our hearings and inquiries. There were 32 claims, of which 24 were paid in full. The total amount paid was \$10,322.46 with the average claim being \$322.58. The highest claim paid was \$1,041.00 and the lowest claim paid was \$40.00. Part of a claim, amounting to \$93.22, was not paid.

Outlook

We expect to spend much of 1998/99 ensuring the fundamentals are in place for our wider role in financial products and services. The government’s continuing financial sector and corporate law reform agenda will mean a busy year ahead consulting with consumers, industry and government. Issues will include the introduction of single licensing and disclosure regimes, and establishing and setting standards for finance sector complaints schemes. Internally we will need to recruit and train staff and develop key performance indicators suitable for our new functions.

We will implement our new approach to targeted surveillance, inspections and enforcement. In enforcement, we plan higher impact enforcement actions as part of selected national campaigns also involving media, education and targeted surveillance. We will focus more on illegal fundraising and investigations of misconduct in relation to financial services and investment advice.

Our research and development will focus on effective methods for surveillance of fundraising, advice and marketing on the Internet, targeting our surveillance on new accounting standards, including those resulting from international harmonisation, and developing more efficient processes for obtaining information from foreign jurisdictions.

18 investment advisors banned to protect the public

What they did	Name	Period of banning
Serious fraud, involving the misappropriation of \$95,894.	Reginald Austin	Banned permanently.
Failed to act honestly, fairly and efficiently as a securities adviser.	Richard John Basto	Agreed to being banned permanently (did not admit to the grounds for the banning).
Improperly used his position as a company officer and provided false information to a company's liquidator.	John Stewart Corner	Banned permanently. Also banned as futures adviser.
Misappropriated clients' money for his own use over a two year period.	Andrew Giertz	Banned permanently. Also banned as futures adviser.
Used clients' monies for his own purposes.	David Wayne Jones	Banned permanently.
Failed to disclose personal interests in the investments he recommended to clients. Failed to properly monitor his clients' investment portfolios. Failed to comply with his dealer's policy and instructions. Made inappropriate securities recommendations to his clients.	Robbert Jan Klomp	Banned permanently.
Failed to inform clients of losses, of the true position of their accounts. Sent inaccurate accounts. Failed to obtain client's written instructions in relation to trading securities. Failed to notify clients or take effective steps to protect his clients' positions after becoming aware of unauthorised trading at Thompson Brindal Ltd.	Kenneth Fulton Laming	Banned permanently.
Misappropriated \$368,884 of clients' money and for providing false information.	Peter Desmond Schutlz	Banned permanently.
Serious fraud.	John Anthony Walter	Banned permanently.
Was an insolvent under administration.	Steven Lynne Wharton	Banned permanently.
Offered investments without a prospectus or trust deed.	Bruce McDonald	Banned for ten years.
Involved in the failed Victorian financial services group of companies known as the Sentinel Group.	Allan MacDonald Healy	Banned for eight years.
Involved in the failed Victorian financial services group of companies known as the Sentinel Group.	Colin Frederick Quarrell	Banned for eight years.
Obtained \$349,725 worth of loans that were to be secured with mortgages or loan guarantees when none existed.	David Thomas Justice	Banned for five years.
Churned a client's account 21.5 times in eighteen months.	Alleyn James Boucher	Banned for five years.
Used six false names to personally trade in shares and failed to keep a complete register of his interests.	Maxwell Alfred Kippe	Banned for three years.
Advised clients to invest in the collapsed futures Lateral Trading group including retirees.	Desmond James Fitzpatrick	Banned for three years.
Used clients' funds for personal purposes.	Christopher Bergin	Banned for 18 months.

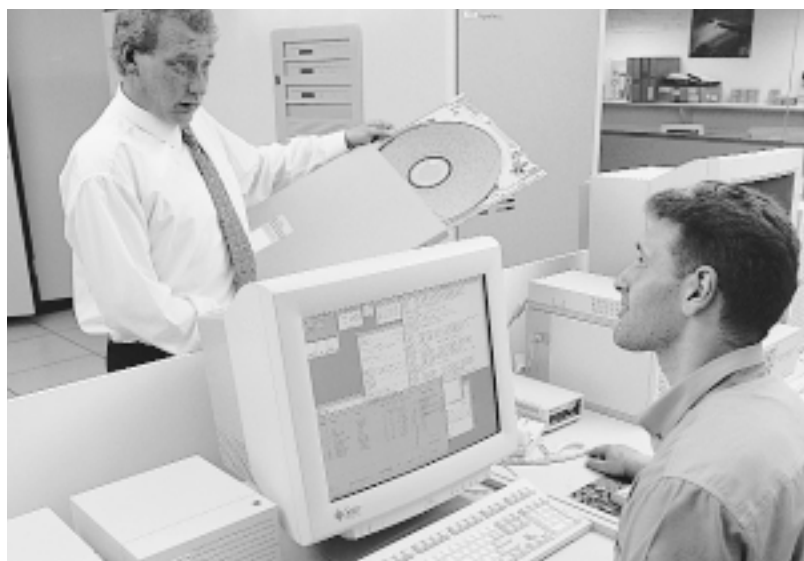
26 criminals gaoled

What they did	Names and details of crime	Sentence
Investments advisers who cheated their clients	Robert Lloyd Lewis misappropriated \$225,000 from 12 investors.	4 and a half years gaol
	Megan Elizabeth Bauer was sentenced in Brisbane District Court for being instrumental in Robert Lloyd Lewis misappropriating \$225,000 from 12 investors.	18 months gaol (suspended after three)
	Banned Perth securities adviser Steven Antonio La Rosa was involved in illegally obtaining \$1.8 million from investors and sending it overseas.	4 years gaol
	Ryszard Zawadski defrauded his 83 year old client of \$83,500 which he then used partly for gambling.	8 months gaol
Market manipulation	Russell John Goward made false and misleading statements about securities in a press statement in December 1989.	2 years gaol
	Michael Robert Shearer attempted in October 1996 to cause increases in the price of shares in Reef Mining NL over a two week period by buying and selling more than 1,200,000 shares in the company using fictitious names.	18 months gaol
Dishonest or reckless company directors	Douglas Edward Reid, former Southern Cross Holdings Deputy Chairman found guilty of false accounting, theft, obtaining property by deception, making false documents, falsifying the books of the company and failing to act honestly as a director and furnishing false information. Mr Reid has appealed against his conviction.	10 years gaol with a non parole period of eight years
	William Henry Hann, of Adelaide, fraudulently converted \$422,909 for his own use from the proceeds of car sales from the company Kearns Brothers. Mr Hann has appealed against his sentence.	4 years and six months gaol
	Philip Leonard Andrews removed \$300,000 from a trust account without authorisation.	4 years gaol with a minimum of 16 months
	Greig Ronald Heilbronn of Queensland behaved dishonestly as a director of a computer sales business.	2 years gaol to serve a minimum of nine months
	Daryl Fredrick Bledsoe of Virginia Queensland misappropriated property from his company.	2 years gaol with a recommendation for parole after six months. Ordered to pay \$30,000 to his company's liquidator.
	Martin Francis Byrnes improperly used his position as a director of SA company Magnacrete Ltd to gain an advantage for his company Jeffcott Investments Ltd.	18 months with a non parole period of 12 months
	Alan Nichols, of Tasmania, deliberately refrained from recording all cash income of Tasmanian Cleaning Services which traded as Tasmanian Carpet Cleaning.	15 months gaol

26 criminals gaoled (continued)

What they did	Names and details of crime	Sentence
Dishonest or reckless company directors	Melbourne accountant John Robert McNabb traded while insolvent. Over five years he obtained approximately \$5 million from more than 300 people to invest in his company.	14 months gaol
	Jane Wilson, of Tasmania aided and abetted Alan Nichols (see above).	12 months gaol
	Timothy Paul Hopwood improperly used his position as a director of SA company Magnacrete Ltd to gain an advantage for his company Jeffcott Investments Ltd.	12 months with a non parole period of 8 months
	Sean Patrick MacNamara – a former Gold Coast director, failed to take all reasonable steps to ensure that his company kept proper books and records.	12 months gaol – of which he will serve four months and be released on a \$2,000 good behaviour bond for two years.
	Samuel John Papotto, from Perth, was involved in the management of a corporation while disqualified.	6 months gaol
	Peter Manery Spies defrauded creditors of \$500,000.	18 months periodic detention
	Robert Hosken, former director of AH No2 Pty Ltd which operated the former Launceston International Hotel, used his position improperly. Mr Hosken and his wife Heather were also fined a total of \$160,000 for charges of insolvent trading. Company creditors lost more than \$335,000.	9 months with eight months suspended. (Mr Hosken has appealed this sentence - the appeal is set down to be heard on August 3).
	Peter Dimitri managed a corporation while an undischarged bankrupt, and promoted a world wide pool competition and obtained more than \$260,000 from shareholders in the failed scheme.	8 months gaol and an additional two weeks added to his sentence for contempt of court
People who defrauded companies	Bruce Algernon Norman falsified company books and failed to act honestly as a director by taking money from the Real Estate's Trust Account and business.	4 months gaol
	Former Victorian accountant Reginal Robert Eustace stole money belonging to Kuwait Asian Bank EC (KAB), Kuwait Asia (Australia) Ltd, Innesvale Co Pty Ltd and 20th Century Survival Pty Ltd.	3 years gaol
	Civil engineer Norman Ross Uren of Melbourne improperly used his position as an employee of Civil and Civic to gain an advantage for the company Security Corporation Pty Ltd in relation to contracts awarded during construction of the Brisbane International Airport Complex.	18 months gaol to be released after six months and placed on a three year good behaviour bond.
	Anthony Mark Gibson, a former employee of Woolworths, took secret commissions this depriving Woolworths of fees it would normally receive.	18 months gaol
	Kelvin Philip Andrews, a former Queensland trustee, for forgery and misappropriation.	18 months with 12 months suspended for two years

3 COMPANY INFORMATION



Larry Seear (standing) and Carmelo Nobile, Information Processing Centre, Traralgon Victoria. The large disc contains images of documents companies lodge with us for public access.

“Accurate, timely company information provides greater certainty in commercial transactions. Staff and management increased company use of our electronic lodging and searching services.”

What we do

We obtain information on Australia's one million companies and make it publicly available.

Why we do it

We provide information to foster certainty in commercial dealings with Australian companies.

Our staff and our costs

About 340 people or 29.5% of our total staff are in our Information Division. Company documents are lodged, processed and stored through our on-line services, Business Centres and Information Processing Centre in Traralgon, Victoria. Our staff specialise in customer service, document processing and retrieval and the law on basic company housekeeping.

These activities cost about \$33 million or 28% of our running costs.

How we performed

Our performance against key indicators was:

- ◆ Increased electronic lodgement by 32% over last year and increased electronic searching of company information, through Information Brokers, by 5.1%.
- ◆ 94% of companies lodged their information with us on time, a 4.8% increase over last year.

This year has been a year of transition, bedding down the advantages that simplification of the Corporations Law has provided to customers and further developing our ability to support wider electronic interface with customers.

In the last two years we reduced staff by 25%. We had initially expected some loss of service to customers but this was largely averted due to continuous improvement in the management of document and information processing workloads across our national network, increased use of electronic services and changed company lodging patterns.

We had planned to invest more in electronic services delivery, but the departure of some key staff and the competition for resources to implement other government initiatives determined that the breadth of electronic project development anticipated was not possible. We will pursue these plans in the coming year.

In this section we cover:

- ◆ what we do
- ◆ why we do it
- ◆ our staff and costs
- ◆ how we performed
- ◆ our strategies
- ◆ company registration
- ◆ information access
- ◆ compliance
- ◆ outlook

Our strategies

This year we focused on increasing the timeliness, completeness and accuracy of company information. We also developed a set of strategies for government endorsement to provide cheaper faster services to our customers through electronic commerce initiatives.

The Government's continuing reform of company law has also required our advice on legal and practical issues, and our participation in government initiatives to reduce the administrative burden on small business.

Company Registration

More than one million companies

At 30 June 1998 there were 1,088,922 registered companies which is 62,716 more than last year. We deregistered 30,642 companies which stopped operating during the year. A further 2,312 companies were deregistered at the company or liquidator's request.

Uptake of Electronic lodgement

At 30 June 1998, 54% of all company annual returns lodged were done so electronically. Electronic annual return lodgement increased from 424,657 in 1996/97 to 544,774 in 1997/98. This was slightly short of our target of 550,000.

Companies can also use our electronic system for lodging changes to their details, and 26% of these changes were lodged electronically. This is a 6% increase over 1996/97.

Business Entry Point

We have participated in the development of the Commonwealth Government's Business Entry Point initiative for small business, which resulted from the Small Business Deregulation Task Force *More Time for Business* (the Bell report).

During this year we worked with a number of Commonwealth departments and agencies to implement a single registration process for companies by July 1998. We have now introduced a partial electronic company registration service, although customers must still send us a cheque and completed declaration before the transaction can be finalised.

We were not able to offer as full a service as we would have liked by 1 July 1998, as we were reliant on the passage of the Company Law Review Bill

which would allow electronic company registration. The Bill was passed and proclaimed only in the last days of June 1998. We will be working to provide a fully electronic service this year.

Cooperation with State governments

Co-location of our Business Centres with Consumer Affairs offices in Townsville and Gold Coast has improved customer access to company registration and business names services.

Revenue collection

We transferred \$326 million in fees to the Commonwealth, up 9% from last year as a result of higher fees, increased numbers of companies and increased searches of our database. This revenue went into the Consolidated Revenue Fund and is not available to us. We are implementing a revenue management system to improve our timely collection of receivables and offer full customer and annual accounting capability.

Information Access

On-line searching increases

Now 88% of all company searches are conducted on-line. Of the 2,092,408 company searches conducted, 1,922,408 were paid companies searches and 170,000 were companies index browses conducted through Information Brokers. 284,150 paid companies searches were conducted in person through our Business Centres. Only 12% of all company searches are now done off line in Business Centres.

We also widened access to company information by increasing the number of third party providers. A number of these information brokers are now linked to the Netsearch Company Names Index on the ASC website, providing the opportunity to complete a company search over the Internet.

Netsearch browsing

Our website enables anyone to check at no cost a company name and company number, and to see what documents the company has recently lodged. Details of company directors and copies of the documents attract a fee, but the browsing facility often offers adequate information for casual searching.

Netsearch browsing has increased in excess of 800%, from just over 98,000 in 1996/97 to 886,629 in 1997/98. Following the introduction of this

service in March 1997 the browses now average around 100,000 per month.

Compliance

Company information on time

The value of the database has increased as the timeliness of company information has improved. This year, 94% of companies lodged their information with us on time. This is a 4.8% increase over 1996/97, and is a new high point.

We have reduced the number of penalty notices for non-lodgement to 21,118, down from just over 30,000 the previous year. This was due in part to our pilot annual return warning notice program which enabled some 7,000 companies to avoid the issue of a penalty notice by responding to the "Final Notice" to lodge.

A standard letter is now being sent to all newly appointed company officers, in response to small business feedback, outlining director's obligations under the Law. Direct contact is also being made with all office holders who have failed to lodge their annual returns within time to remind them of the requirement to lodge and providing them with the opportunity to comply with the Law before further action is taken against them.

Simplified Law

Companies are now using the advantage that law simplification has provided to lodge their annual returns at a time of their choice during the year.

Outlook

We expect to see a continued shift of customer interaction from paper-based to electronic environment, supported by simplified lodgement processes. We will participate in the Business Entry Point Project to provide easier access to government services.

We will continue improving the accuracy and timeliness of corporate information and will promote lodgment compliance through education and enforcement.

We will implement changes to Corporations Law resulting from the Corporate Law Economic Reform Program and will explore the feasibility of a variable fees regime. To help us set strategic directions to move closer

to business, we will increase business community and customer consultation.

ELECTRONIC SERVICES FOR OUR CLIENTS

In recent years, we have progressively increased the range of transactions people can undertake electronically.

Companies can provide their information electronically. More than half of all companies now lodge their annual returns with us through EDGE, an electronic system now widely used mainly by accountants throughout Australia. We have extended EDGE to cover other frequently lodged information such as changes to directors and company registered offices.

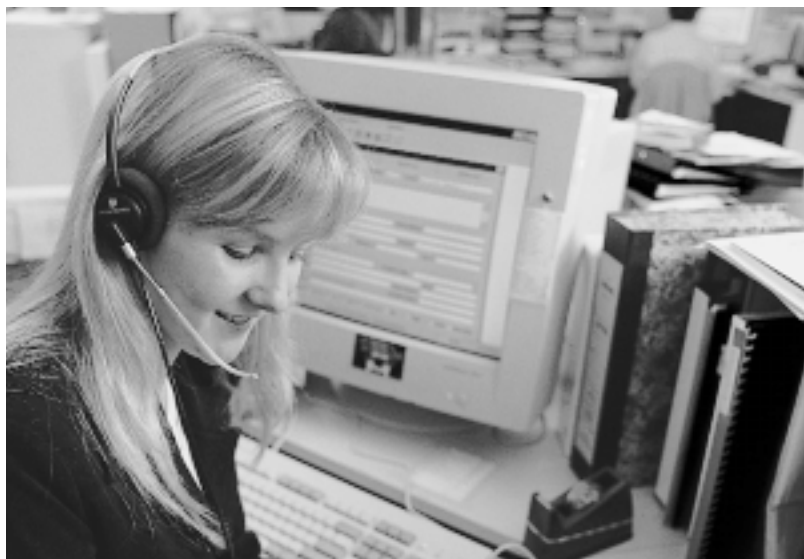
People can also search our database from their desktop. Our company names index is a valuable identity check for people about to register a company. Using our website, they can quickly see at no charge if a company name is already in use. They can also see which documents a company has lodged with us.

If users wish to order a particular document or search, they can arrange to pay the fee and get the document through one of our on-line information brokers. Some on-line brokers are linked to our web site, making the whole transaction simple and straightforward.

This year we participated in the Commonwealth Business Entry Point project. From 1 July 1998 this will provide a first step towards making it easier to register a company electronically.

4

SUPPORT SERVICES



Belinda Daniel, Infoline operator. Infoline offers a national enquiry service for consumers, investors and companies for the cost of a local call anywhere in Australia.

“This year we ran campaigns to increase investors’ skills at protecting themselves from cheats, sharp practice and gross incompetence. The number of investors using our Infoline increased by 30%.”

What we do

We deliver information technology, management and corporate services and customer call centre services.

Why we do it

To ensure the core business of ASIC is supported as efficiently as possible and to keep pace with technology used in the markets.

Our staff and our costs

About 154 staff or 13.3% work in our National Offices in Melbourne (our headquarters from 1 July 1998) and Sydney. Our staff specialise in information technology, corporate and management services, policy development, communication and general management.

These activities cost about \$14 million or 13% of our running costs.

How we performed

Our performance against key indicators was:

- ◆ we reduced cost of corporate services by \$1 million in line with our plans.
- ◆ our IT system availability was maintained in all platforms at 98% or better between the hours of 8.00am and 6.00pm. However, there were some significant localised losses of service and productivity that required overseas technical support.
- ◆ 1,574 IT problems were reported and all resolved within the target times, despite lifting targets, however the number of problems reported fell compared with last year's 1,798.
- ◆ Infoline answered 95.4% of calls (on target) with an average wait to answer of 38 seconds (outside target of 30 seconds) and answered 92.7% of calls without the need to refer the caller to another person (well up on our target of 85%).

Our strategies

We concentrated on strengthening the alliance between support services and our core business.

For information technology our objective is to deliver desktop tools, information access and integrated organisation-wide information resources that improve business efficiency. We have preferred to buy rather than

In this section we cover:

- ◆ what we do
- ◆ why we do it
- ◆ our staff and costs
- ◆ how we performed
- ◆ our strategies
- ◆ information technology
- ◆ corporate and management services
- ◆ call centres
- ◆ outlook

build systems, to focus on developing applications faster and to implement non-mainframe based applications. We aimed to consolidate IT infrastructure to reduce investments that minimise recurrent IT costs.

In corporate services we planned to cut costs and achieve operating efficiencies. We also wanted to achieve sustained improvement in our working environment based on progressive employment practices, effective performance management framework and well targeted learning and development.

Our call centre strategy is based on training operators who are dedicated to telephone work and who have a sound overall grasp of our diverse operations and who can find relevant information for our callers.

Information technology

Litigation support

We have developed and used the first release of our litigation support system on a pilot basis. The system images documents used in Court and creates a database, which means that documents can be served on other parties in CD format, not paper. Our system compares favourably with systems developed and used by leading private law firms.

Electronic incorporations and payments

Two of our key electronic commerce projects – the Electronic Incorporations project and the Electronic Payments project – have experienced delays and were not delivered this year as previously planned. Smart cards, public key infrastructure and digital signatures are at the leading edge of electronic commerce technologies. We preferred to take a very careful and thorough approach, given our relative inexperience with these technologies.

Year 2000 compliance

Year 2000 remediation of our in-house programs has been completed. These changes will be tested early this financial year along with new releases and upgrades of vendor supplied Year 2000 compliant software. Compliant hardware and software has been acquired as necessary. A Year 2000 test environment is being established for our own applications, vendor supplied software and for information brokers and other external users of the ASIC's systems.

System changes resulting from law reform

We changed and developed systems to implement government reforms and initiatives, the Corporate Law Reform Act 1998, the Business Entry Point project, FSI implementation and the Managed Investments Act.

IT facilities management

We entered a cooperative arrangement with the Reserve Bank of Australia (RBA) and relocated our mainframe and related IT infrastructure from Canberra to the RBA's Data Centre in Sydney. Together with the RBA, we will seek joint savings from the arrangement and opportunities to work more closely.

Intranet

We introduced our intranet (an internal Internet using standard browser software) on a limited initial budget. We expect to develop it into a consistent national internal gateway for information and archived resources.

Remote access to our network

The necessary IT infrastructure was provided to allow secure remote access to our network and secure Internet access from staff desktops. The Defence Signals Directorate has accredited this gateway as meeting security standards to the "highly protected" level. Security problems took us longer to resolve than expected.

Workflow and groupware software

This year we began using workflow and groupware software in some business programs on a trial basis. The software will be evaluated first by 300 users next year before expanding its use. The use of this software is fundamental to improving our information and knowledge management and staff productivity within work teams.

Corporate and management services

Cost savings

Last year corporate services costs were reduced by about \$1 million. Primarily the savings came from consolidating payroll, accounts processing, corporate support, and reducing corporate middle management.

Rationalisation of accommodation

We aimed to further rationalise and reduce our accommodation costs. By 30 June we had achieved savings equivalent to ,square metres or 14.2% of our total accommodation. These savings have contained overall costs and increased our capacity to manage the expanded accommodation requirements that our transition to ASIC will bring.

Restructuring human resources, learning and development

Our human resources network has also been consolidated so that specialist advice is provided from a single office. Our National Learning and Development section has been structured so that it can better focus on national delivery and strategic issues. The design and delivery of core programs such as national induction and core technical training have been completed.

Financial management

We increased the flow of regular information to budget holders about expenditure and income and revamped management reports to an acceptable standard. This basic reform will allow more focused reporting and planning to occur. National projects and external legal costs are now regularly reviewed using consistent reporting templates which managers find easier to understand.

Environment

As a services organisation, our impact on the environment was largely confined to our use of energy for heat, light and power in our offices, and the disposal of paper waste. Our accommodation is fitted with power saving devices to avoid waste, and paper waste is separated from other waste to assist recycling.

Call centres

Calls about lodging and obtaining company information

About 30 staff throughout our Information Processing Centre and Business Centres handled more than 732,000 telephone calls this year about routine company housekeeping matters and company searches. We commissioned an external review of these operations to identify the most cost-effective options for managing these calls. The review has been completed and is being analysed.

Infoline

Infoline is our principal call centre for regulatory and enforcement activities. It received 89,000 calls this year, a 27% increase on the 70,000 received last year. 92.7%, or 7.3% above our target, were dealt with on the spot, this keeping our enforcement and regulatory staff free to deal with more complex matters. Infoline employs 11 staff.

Financial Complaints Referral Centre

In cooperation with the complaints resolution schemes for banking, life and general insurance, superannuation and investment advice, we opened the Financial Complaints Referral Centre, on a trial basis, in February 1998. The Centre refers consumers who do not know how to resolve a complaint to the relevant complaints scheme. The FCRC received 1,449 calls, much fewer than expected, and we will review this project in the next few months. It initially employed 5 staff but this has been reduced to 3.

Outlook

Next year in information technology we expect to implement application or system changes arising from government legislative reforms and initiatives. We aim to deliver key projects including full Year 2000 compliance by 31 December 1998, the replacement of our financial management system and our file management system.

In corporate services we will focus on developing and implementing best practice human resources policies and practices. These changes will be benchmarked against the private sector. We will also deliver increased learning and development programs to our staff, particularly in our new areas of responsibility. We will replace the financial management information systems, in tandem with the introduction of accrual accounting. Our programs of activity will be restructured in line with output budgeting.

Call Centres are emerging as a key business for us. Each of our centres has developed effective and well regarded systems and processes. During 1998/99, we will analyse all our data on call centre activity. This will allow the sharing of best practices and help achieve improvements where practical.

5 OUR STAFF



The Treasurer the Hon. Peter Costello MP met staff at the launch of ASIC on 1 July 1998.

“Many staff worked extraordinarily long hours on operational and policy matters. In some cases our offices opened on public holidays to help business with urgent commercial transactions.”

Who works for us

Staff numbers and basis of employment

At 30 June 1998, we employed 1,152 staff, most under the Public Service Act, of whom 37 were Senior Executive Service officers (including eight Regional Commissioners). Full-time staff comprised 962 permanent staff and 190 temporary staff.

We also employed 30 contractors mainly for information technology, and we engaged 20 consultants when adequate expertise was not available within ASIC to provide essential specialist services and high level advice investigatory, legal, corporate regulatory and accounting functions.

Location and profile of staff

We have 466 staff in Victoria, including our head office, regional office and the Information Processing Centre at Traralgon, NSW 364, Queensland 115, WA 91, SA 56, ACT 32, Tasmania 17, Northern Territory 11.

Our staff profile is illustrated in the table below.

Type of staff	1997-98 Number	1997-98 % age	1996-97 Number	1996-97 % age
Operational staff (ASOs)	730	63.3	767	64.4
Senior operational staff	210	18.2	216	18.1
Legal officers	109	9.5	100	8.4
IT specialists	48	4.2	49	4.1
Senior executives	37	3.2	44	3.7
Others	18	1.6	15	1.3
Total	1,152	100.0	1,191	100.0

Major issues

Productivity

Many staff worked extraordinarily long hours on operational and policy matters. In some cases our offices opened on public holidays to help business with urgent commercial transactions. Key performance indicators were substantially met, despite staff reductions during the first half of the year.

Staff reduction and recruitment

In June and July 1997, 137 staff left under a voluntary redundancy program. We also reduced the number of senior executives by 14%.

In this section we cover:

- ◆ who works for us
- ◆ major issues
- ◆ senior management and organisation
- ◆ outlook

Impending changes to legislation that extended our responsibilities meant we began recruiting new staff from early 1998. We succeeded in attracting a number of experienced people in market and consumer issues to assist us in our new role. Fixed term and contract staff now make up 16% of our staff compared with 8% last year.

Performance management

All senior executives and senior officers have performance agreements with their supervisors. Senior executives are eligible for performance pay under their AWAs and there is also an increased capacity to deal with any underperformance. Senior officers were not eligible for performance pay.

Complaints about our staff

Our staff exercise important legal powers and we have procedures to investigate properly any complaints about how they behaved. In 1997/98 thirteen complaints were received, three less than last year. The complaints tended to relate to the exercise of our investigative powers and to the alleged improper release of confidential information.

The results of inquiries into these complaints were: nine complaints were found to be unsubstantiated; and four complaints are still under investigation. In all cases the complainant was advised in writing of the outcome of the inquiry, except in one instance where the complainant was anonymous. In our 1996/97 Annual Report we reported that one matter was still under investigation. That complaint was not substantiated, except for a minor matter. The complainant was advised of the result.

Equal opportunity

We are an equal opportunity employer. There was a slight increase in women in SES positions from 13.8% in 1996/97 to 15.6% in 1997/98. At 30 June 1998, one Commissioner, two Regional Commissioners and five Senior Executives were women. Also, 46.3% of legal positions (up 7.3%); 28.1% of Senior Officer positions (up 4.3%); and 65.3% of all ASO positions were held by women. We have 180 staff that identified themselves as being from a non-English speaking background and five staff that identified as being from an Aboriginal or Torres Strait Islander background.

We started a gender equity programme in Queensland and NT that allowed staff to identify equity issues and develop strategies to resolve them. The programme will be extended to other workplaces. We will also be

implementing a Workplace Diversity program in 1998/99 to increase recognition of the value of diversity to our work.

Occupational health and safety

Generally, we provided an outstandingly safe work environment, and we further reduced OHS injuries and costs. OHS committees, Case Managers and Rehabilitation Case Managers were so effective in managing this area that our 1998/99 premium was further reduced from 1.09% of our salary bill in 1997/98 to 0.46% of our salary bill for 1998/99, saving \$192,836. Next year we expect to update our current OHS Agreement with the union.

Internal communication

A national staff newsletter was introduced to support weekly “hot issues” emails to all-staff. Survey and focus group research indicate that we have improved the quality of communication.

Industrial relations

No days were lost to industrial disputes and no disputes were notified to the Australian Industrial Relations Commission. At a local level the main contentious issue concerned proposed restructuring of team leader and senior staff positions in our Victorian Regional Office. The matter was resolved through negotiation.

Enterprise agreements

Australian Workplace Agreements (AWAs) were settled for all SES officers employed under the Public Service Act. Regional Commissioners are employed on separate contracts under the ASIC Act.

For the purpose of negotiating a certified agreement, staff chose to have their union negotiate on their behalf. A draft agreement was developed and distributed to all staff by 30 June for them to consider and vote on. Despite union involvement in the negotiation, union members decided to oppose the draft agreement. In a secret ballot in July 1998, staff voted 509 to 363 against the agreement.

Learning and development

Learning and development of our staff is the primary responsibility of supervisors and managers. Our national training effort focused on major priorities, such enforcement skills, staff induction and staff briefings on our expanded functions.



Joe Longo

National Director, Enforcement

He is a lawyer, and was previously ASC litigation consultant in Perth and formerly a commercial litigation partner at Parker and Parker, solicitors.



Shane Tregillis

National Director, Regulation

He is a lawyer and was previously ASC Director of Regulatory Policy and worked in market regulation with the National Companies and Securities Commission (NCSC).

Superannuation

The majority of our staff were members of the Commonwealth and Public Sector Superannuation Schemes, which are defined benefit funds. A small number of staff are covered under State government and private sector schemes. The majority of these staff were employed by various State governments and transferred to the ASC at its inception in 1991. Details of ASIC contributions to various superannuation schemes are in Note 19 to the financial statements.

Senior management and organisation

Commissioners

Our Commissioners are full-time executives, appointed by the Governor-General under the ASIC Act, and sections 108-111 set out the terms and conditions of their appointments, including section 111 which provides grounds for termination.

The Commissioners were Chairman Alan Cameron AM, re-appointed for a three-year term ending on 31 December 2000, Deputy Chairman Peter Day, appointed for a three year term ending on 30 September 2000, and Commissioner Jillian Segal, appointed for a three year term ending on 12 October 2000. Acting Commissioners were Bernie Mithen and Joe Longo until October 1997. The Commissioners' qualifications and responsibilities are on pages 9-11 and 15.

National Directors, General Counsel and Chief Accountant

At 30 June 1998, there were two full-time National Directors who assist in coordinating our activities. Joe Longo is National Director Enforcement, and Shane Tregillis is National Director Regulation.

General Counsel is George Durbridge, a post he has held since the ASC was established in 1991. He was also General Counsel to the NCSC. Jan McCahey is Chief Accountant, and was appointed in February 1998. She was formerly Director of Accounting Standards at the Australian Accounting Research Foundation.

Regional Commissioners

Our Regional Commissioners are appointed by the Commission, in consultation with State Ministers, to run our enforcement and regulatory operations in each State and Territory. They are employed on fixed term contracts. They are qualified in law, accounting or have extensive regulatory experience.

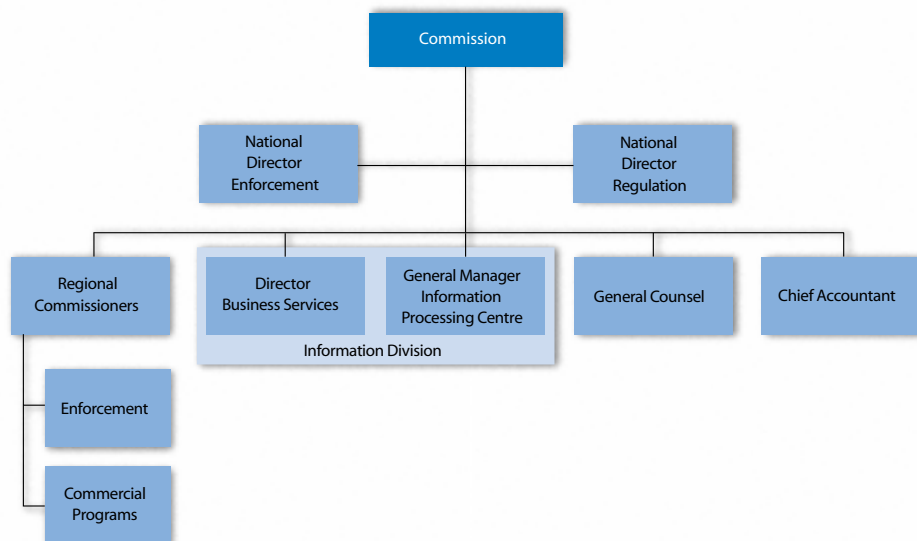


At 30 June 1998, from left to right, our Regional Commissioners were (names and terms of office) Jamie Ogilvie, Western Australia, until 12 January 2001; Karen Axford, South Australia, until 26 April 2001, Peter Garrison, Tasmania, until 29 April 1999; Barrie Adams, Queensland, until 31 March 2000; Greg Tanzer, ACT, until 31 December 2001, William Coad, New South Wales, until 27 March 2001; Phil Khoury, Victoria, acting; (absent) Jan Speirs, Northern Territory until 30 June 1998 and then Bruce Brown.

Outlook

We plan to foster a willingness to embrace a performance culture through the extension of performance management systems. This will include acceptance of personal accountability and leadership. We want to build commitment to collaborative team-based work regionally and nationally through the greater integration of various skills and disciplines in our enforcement and regulatory activities. At the same time we will maintain workplace fairness and improve access to opportunity.

How we are organised



Summary

We contained operating costs to \$134.6 million and increased the level of investment in enforcement and regulatory activity. On an accrual basis, our Balance Sheet for 1997/98 shows increased asset holdings of some \$3 million and our Operating Statement shows the cost of service delivery compared with 1996/97 remained static.

Financial Performance

In 1997/98 Parliament provided us with an appropriation for running costs of \$116.9 million, continuing the reductions to our operating budget since 1996/97. Following an internal review, we took measures to preserve investment in enforcement and regulation and to strengthen our financial position for our increased responsibilities in 1998/99.

The most significant financial measures implemented during the year were:

- ◆ we reduced labour costs and simplified our non-core infrastructure by offering redundancies to staff made excess;
- ◆ we reviewed our accommodation needs, rationalised leased accommodation and contained property costs; and
- ◆ we increased our investment on new projects.

Labour

Labour costs amounted to 52.6% of our running costs. In rationalising non-core functions, we reduced our labour budget by over \$5 million. The reduction in labour costs also reduced related support services.

Property

Our accommodation, all of which is leased, amounted to 14.3% of running costs. Containing property expenses has been a key measure in managing our budget. We have achieved a reduction of over 7,000 square metres (14%) of rented space over the last two years. This will contain future operating costs and help offset fit-outs for our new functions.

Projects

In this financial year our investment in new projects was some \$3 million – a threefold increase over 1996/97, and almost 1% of our running costs. New projects are aimed at improving our internal capabilities and implementing new policy initiatives. This will increase in 1998/99.

Loan management

Our liability to the Department of Finance of \$4 million, borrowed in 1996/97 was discharged in 1997/98 as planned. Another loan of \$6.5 million was arranged during the year, to be repaid over three years.

7

AUDIT COMMITTEE

ASIC Audit Committee and audit services report

The ASIC Audit Committee assisted the Commissioners discharge their responsibilities for financial reporting, and reviewed the effectiveness and integrity of internal controls and ASIC's audit process. The Committee's Charter was substantially revised in April 1998 to conform with Australian National Audit Office and Australian Institute of Company Directors best practice guidelines. The Committee examined internal and external audit matters and risk assessment.

The Audit Committee has between five and six members, at least two of whom (including the Chairman and Deputy Chairman) are suitably qualified persons appointed from outside ASIC.

Chairman Merran Kelsall, BCom (Hons), FCA, is a Chartered Accountant, Consultant and Company Director. Deputy Chairman Roy Boyce, FCA, is a Chartered Accountant and Company Director.

The internal appointments include at least one Commissioner and at least one Regional Commissioner.

The Committee met five times during the year. Details of membership and attendance were:

Members	Meetings attended
Merran Kelsall (Chairman – appointed 29 January 1998)	3
David Boymal (Chairman – retired 30 September 1997)	1
Roy Boyce (Deputy Chairman – appointed 1 November 1994)	5
Karen Axford (appointed 13 May 1998)	2
Peter Day (appointed 6 November 1997)	4
Peter Garrisson (appointed 1 October 1996)	5
Bernie Mithen (retired 31 March 1998)	2
Jillian Segal (appointed 6 November 1997)	4

The Australian National Audit Office provided external audit services. Chartered accountants Ernst & Young were appointed to provide internal audit services, and Simon Farrer was appointed to the position of National Manager, Audit. Both external and internal audit representatives attended Committee meetings.

Audits conducted during the year included the EDGE Program, External Electronic Links, Commonwealth and DOCIMAGE Revenue, Property Accounts, Legal Cost Recoveries, Accounts Payable and Payroll Processing, and Year 2000 project.

Merran Kelsall,
Chairman, ASIC Audit Committee,
29 July 1997

In this section we cover:

- ◆ publications
- ◆ Freedom of information
- ◆ Electoral Act disclosure

Publications

We publish the following free publications:

- ◆ External newsletters: *ASIC News* (regulation and enforcement), *InFocus* (company information); internal staff newsletters: *Shortcuts* (regulation and enforcement), *Inside Info* (company information).
- ◆ Brochures: *Don't kiss your money goodbye*, *Company Directors' Survival Kit*, *Company essentials*;
- ◆ Annual report, occasional reports, papers and information sheets on a wide range of topics accessible through our website or Infoline.

We publish for sale: *ASIC Digest*, *ASIC Working Guide for Accountants*, *ASIC Working Guide for Company Secretaries*, *ASIC Good Advice Handbook: investment advisory services*, *ASIC Forms on Disk*.

Freedom of Information Act 1982

Members of the public may obtain copies of documents in ASIC's possession under the Commonwealth *Freedom of Information Act (1982)* ("FOI Act") by making an application addressed to the FOI officer in the regional office in the State or Territory in which the applicant resides or to the Manager, Administrative Law, National Office Sydney.

ASIC maintains the following categories of documents which are in its possession as required by section 8 of the FOI Act:

- ◆ documents relating to meetings of ASIC, meetings between ASIC and government and non-government bodies, business communities and committees;
- ◆ documents relating to parliamentary committees and parliamentary questions;
- ◆ papers relating to new and amending legislation;
- ◆ general correspondence with members of the public;
- ◆ documents relating to applications from businesses, including:
 - (a) correspondence, statistics, policy documents and registration materials relating to licensees, receivers, auditors, liquidators and official liquidators;
 - (b) internal working papers and statistics relating to examination and assessment of financial and accounting information, securities and futures and other matters; and
 - (c) applications and submissions made to ASIC.

- ◆ documents, books and records of companies and individuals obtained pursuant to ASIC's information gathering powers; investigation reports and prosecution briefs;
- ◆ documents relating to administrative law matters;
- ◆ registers of instruments of delegation, direction and authorisation;
- ◆ documents relating to accommodation, estimates, accounts, expenditure, banking arrangements and internal audit; computer systems and purchases, human resources, recruitment and staff management;
- ◆ Handbooks, Guidelines, Manuals, Policy Statements, Practice Notes, Media Releases (available for inspection and purchase), pamphlets and annual reports (available for free) and other documents, held as public database information (ASCOT) (see note below).

As required by section 9 of the FOI Act, ASIC makes available to the public the following documents for inspection and purchase or subscription from the Centre for Professional Development on telephone (03 9205 0600).

ASIC Digest – which contains Policy Statements, Practice Notes, information brochures, Media Releases, Information Releases, public memoranda, Issues Paper, Public Hearings, ASIC Instruments, class orders, ministerial orders, Pro-Formas for applications, litigation information, legal commentary and accounting commentary.

Manuals – *ASC Hearings Manual*; *ASC Procedures Manual*.

Note: Documents that are made available to the public on ASCOT, in the ASIC Digest and by the Centre for Professional Developments are not available under the FOI Act.

Disclosure under Commonwealth Electoral Act 1918

Section 311(A) of the Act requires us to report for the financial year ended 30 June 1998, payments made by us or on our behalf to:

- ◆ advertising agencies: Doorley, Abram, Davis and Chapman \$80,776 for creative, production and account service and TMP Worldwide \$137,872 for recruitment advertising;
- ◆ market research organisations: Chant Link & Associates \$150,236 and Eureka Strategic Research \$86,718;
- ◆ polling organisations: nil
- ◆ direct mail organisations: City Mail Room \$13,763 and Security Mailing Services \$68,561;
- ◆ media advertising organisations: Advertising Investment Services \$54,585.

SIX YEAR SUMMARY

	1997/98	1996/97	1995/96	1994/95	1993/94	1992/93
Australian Business Information						
Companies						
Number of registered companies	1,088,922	1,026,206	965,461	933,652	885,118	839,593
New companies incorporated	62,716	92,680	79,259	82,278	83,516	61,145
Company searches through						
on-line brokers	1,922,408	1,990,041	1,704,433	1,347,155	866,435	780,869
Company searches through ASIC offices	284,150	382,252	472,502	625,526	822,013	942,738
Securities & futures licenses						
Securities dealers	1,547	1,608	1,508	1,408	1,365	1,319
Authorised representatives	28,968	25,971	26,763	41,571	35,745	29,081
Investment advisers	130	227	241	232	248	248
Futures brokers	99	97	87	83	87	85
Futures advisers	40	51	35	30	27	26
Prospectuses registered	683	602	466	503	780	629
Principal trust deeds approved	313	144	109	89	105	135
Takeover offers (Part A & C) registered	76	75	96	64	75	69
ASIC funding and revenue						
Parliamentary appropriation						
– Running costs (\$ million)	116.9	118.5	121.7	124.8	127.9	132.9
– Capital works (\$ million)	5.8	7.2	6.4	12.81	8.3	2.48
– Loan (\$ million)	6.5	4	–	–	–	–
Fees transferred to Commonwealth						
Consolidated Revenue Fund (\$ million)	326	298	275	258	216	202
ASIC Performance						
Investigations commenced	215	186	155	256	163	244
Major litigation completed	199	178	41*	74	99	138
% of ASIC litigation successful	90	84	78*	81	78	68
% of prospectuses registered on time	68	75	54	60	53	42
% of company annual returns lodged on time	94	90	78	84	61	59
ASIC Financial Summary (\$ million)						
Operations						
Total operating expenses	134.6	127.8	140.4	151.7	142.7	142
Operating revenue	7.5	7.0	8.2	6.4	5.3	6.2
Net cost of services	127.1	124.6	136.5	147.7	137.4	135.7
Revenue from government	123.2	126.2	128.7	138.2	136.6	135.5
Financial Position						
Current assets	10.3	13.4	9.7	11.2	12.6	7.8
Non-current assets	25.6	25.8	27.9	31.4	33.6	35.9
Total assets	35.9	39.2	37.6	42.6	46.3	43.7
Current liabilities	15.6	21.2	18.3	13.6	11.1	10.5
Non-current liabilities	19.5	13.7	17.4	19.2	15.1	12.3
Total liabilities	35.1	34.9	35.7	32.9	26.3	22.9
Total equity	0.8	4.2	1.9	9.7	20	20.8

* These figures and those for preceding years included only major criminal matters.

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INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 1998

To the Treasurer

Scope

I have audited the financial statements of the Australian Securities and Investments Commission for the year ended 30 June 1998.

The statements comprise:

- Statement by Commissioners;
- Operating Statement;
- Statement of Assets and Liabilities;
- Statement of Cash Flows;
- Schedule of Commitments;
- Schedule of Contingencies; and
- Notes to and forming part of the Financial Statements.

The Members of the Commission are responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you, the Treasurer.

The audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view of the entity which is consistent with my understanding of its financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion,

- (i) the financial statements have been prepared in accordance with the Guidelines for Financial Statements of Commonwealth Authorities
- (ii) the financial statements give a true and fair view, in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and the Guidelines for Financial Statements of Commonwealth Authorities, of the financial position of the Australian Securities and Investments Commission as at 30 June 1998 and the results of its operations and its cash flows for the year then ended.

Australian National Audit Office



Russ Chantler

Executive Director

Delegate of the Auditor General
Sydney
11 September 1998

STATEMENT BY COMMISSIONERS

In our opinion, the attached financial statements present fairly the information required by the Minister for Finance and Administration's Guidelines for Financial Statements of Commonwealth Authorities.



A.J. Cameron

Chairman

10 September, 1998



W.P. Day

Deputy Chairman

10 September, 1998



J.S. Segal

Commissioner

10 September, 1998

OPERATING STATEMENT

FOR THE YEAR ENDED 30 JUNE 1998

	Note	1998 \$'000	1997 \$'000
Net cost of services			
Operating expenses (before abnormal items)			
Employees	5a	67,267	72,705
Suppliers	5b	50,545	47,173
Depreciation and amortisation	5c	8,517	7,768
Loss on sale of assets	5d	346	159
Interest	6	520	–
Total operating expenses (before abnormal items)		127,195	127,805
Operating revenue from independent sources (before abnormal items)			
Interest	7a	1,753	1,364
Net gains from sale of assets	7b	98	22
Other	7c	5,692	5,645
Total operating revenue from independent sources (before abnormal items)		7,543	7,031
Net cost of services (before abnormal items)		119,652	120,774
Abnormal items	4	7,431	3,886
Net cost of services		127,083	124,660
Revenues from Government			
Parliamentary appropriations received	8a	122,711	125,797
Resources received free of charge	8b	548	498
Total revenues from Government		123,259	126,295
Surplus (deficit) of revenues from Government over net cost of services		(3,824)	1,635
Accumulated surpluses (deficits) at beginning of reporting period		4,267	1,907
Adjustment resulting from a change in accounting policy		–	725
Accumulated surpluses (deficits) at end of reporting period	11	443	4,267

The accompanying notes form part of these financial statements.

STATEMENT OF ASSETS AND LIABILITIES

AS AT 30 JUNE 1998

	Note	1998 \$'000	1997 \$'000
Debt			
Loans	9a	6,500	4,000
Leases	9b	6,480	6,620
Total debt		12,980	10,620
Provisions and Payables			
Employees	10a	20,336	23,038
Suppliers	10b	1,352	1,159
Other	10c	520	140
Total provisions and payables		22,208	24,337
Total liabilities		35,188	34,957
Equity			
Reserves	11	314	–
Accumulated surpluses	11	443	4,267
Total equity		757	4,267
Total liabilities and equity		35,945	39,224
Financial Assets			
Cash	12a	7,835	11,559
Receivables	12b	540	882
Investments	12c	660	–
Total financial assets		9,035	12,441
Non-Financial Assets			
Land and buildings	13a	6,456	6,157
Plant & equipment	13b	19,118	19,600
Other	13d	1,336	1,026
Total non-financial assets		26,910	26,783
Total assets		35,945	39,224
Current liabilities		15,608	21,251
Non-current liabilities		19,580	13,706
Current assets		10,371	13,467
Non-current assets		25,574	25,757

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 1998

	Note	1998 \$'000	1997 \$'000
Operating Activities			
Cash received			
Appropriations		122,711	125,797
Interest		1,729	1,389
Sales of goods and services		1,252	1,980
Other		4,579	3,463
Total cash received		130,271	132,629
Cash used			
Employees		(72,808)	(79,483)
Suppliers		(53,293)	(47,649)
Total cash used		(126,101)	(127,132)
Net cash from operating activities	14	4,170	5,497
Investing Activities			
Cash received			
Proceeds from sale of property, plant & equipment		93	79
Total cash received		93	79
Cash used			
Purchase of property, plant & equipment		(9,827)	(5,124)
Purchase of internal treasury bills		(660)	–
Total cash used		(10,487)	(5,124)
Net cash from investing activities		(10,394)	(5,045)
Financing Activities			
Cash received			
Proceeds from debt		6,500	4,000
Cash used			
Repayments of debt		(4,000)	–
Net cash from financing activities		2,500	4,000
Net increase (decrease) in cash held		(3,724)	4,452
Cash at 1 July		11,559	7,107
Cash at 30 June	12(a)	7,835	11,559

The accompanying notes form part of these financial statements.

SCHEDULE OF COMMITMENTS

AS AT 30 JUNE 1998

	1998 \$'000	1997 \$'000
By type		
Other Commitments		
Property operating leases	74,263	89,315
Other commitments – Interest on loan	1,130	–
Total other commitments	75,393	89,315
Total commitments payable	75,393	89,315
Commitments receivable	(5,402)	(2,753)
Net commitments	69,991	86,562
By maturity		
All net commitments		
One year or less	17,122	17,563
From one year to two years	16,085	17,295
From two years to five years	19,412	34,591
Over five years	17,372	17,113
Net commitments	69,991	86,562
Property operating leases		
One year or less	17,738	18,056
From one year to two years	17,203	17,788
From two years to five years	21,950	36,070
Over five years	17,372	17,401
Operating lease commitments	74,263	89,315

SCHEDULE OF CONTINGENCIES

AS AT 30 JUNE 1998

ASIC is party to many civil litigation matters arising out of its statutory duty to enforce laws for which it is responsible. Like any other party to litigation, ASIC is exposed to the risk of being required to pay the other party's costs if unsuccessful. Similarly, ASIC may be entitled to recover costs arising out of such litigation.

There are three such current claims against ASIC where proceedings have been instituted (one after 30 June 1998). However, with respect to each of these matters, based on legal advice received and save for having to pay legal fees and other out of pocket expenses, ASIC:

- (a) denies liability;
- (b) is confident of successfully defending the action instituted; and
- (c) considers that it will not be required to pay any damages.

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

Note Description

1. Summary of significant accounting policies
2. Segment reporting
3. Economic dependency
4. Abnormal items
5. Expenditure
6. Interest expense
7. Operating revenue
8. Revenues from Government
9. Debt
10. Provisions and payables
11. Equity
12. Financial assets
13. Non-financial assets
14. Cash flow reconciliation
15. Related parties
16. Remuneration of Commissioners and Executive officers
17. Trust monies
18. Expenditure relating to Boards and Panel
19. Superannuation
20. Auditors remuneration
21. Assets vesting in ASIC
22. Financial instruments

1. Summary of significant accounting policies

(a) Basis of accounting

The financial statements are a general purpose financial report.

They have been prepared in accordance with:

- Guidelines titled *Financial Statements of Commonwealth Authorities* issued by the Minister for Finance and Administration in July 1997 (the 'Guidelines') which require the financial statements to be prepared:
 - in compliance with Australian Accounting Standards and Accounting Guidance Releases issued by the Australian Accounting Research Foundation; and
 - having regard to Statements of Accounting Concepts; and
- the Consensus Views of the Urgent Issues Group.

The financial statements 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 on the financial position.

(b) Cash

For the purpose of the Statement of Cash Flows, cash includes deposits held at call with a bank.

(c) Taxation

ASIC is exempt from all forms of taxation with the exception of sales tax, debts tax and fringe benefits tax.

(d) Property, plant and equipment

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Assets and Liabilities, except for purchases costing less than \$2,000, which are expensed in the year of acquisition. The \$2,000 threshold was selected because it facilitates efficient asset management and recording without materially affecting asset values recognised.

ASIC is implementing progressive revaluations as follows:

- leasehold improvements will be revalued every three years; the current revaluation was carried out in 1997-98.

Assets acquired after the commencement of the revaluation cycle will be reported at cost for the duration of the revaluation then in progress.

The financial effect of the move to progressive revaluations is that the carrying amounts of assets will reflect current values and that depreciation charges will reflect the current cost of the service potential consumed in each period.

The application of the deprival method values assets at their depreciated replacement cost. Any assets which would not be replaced or are surplus to requirements are valued at net realisable value.

All valuations are independent.

(e) Revaluation of land and building

ASIC has adopted a policy to revalue land and buildings on a three yearly cycle. An independent assessment is obtained from a registered valuer to ensure that the carrying value is not in excess of the recoverable amount. Revaluation increments are credited directly to the Asset Revaluation Reserve and the decrements are brought to account in the Operating Statement unless those revaluations reverse previous increments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

(f) Depreciation and amortisation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives using the straight line method of depreciation. Useful lives and residual values are reviewed at each balance date and necessary adjustments made.

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

Depreciation and amortisation rates applying to each class of depreciable asset are as follows:

	1998	1997
Buildings on freehold land	40 years	40 years
Leasehold improvements	Lease term	Lease term
Plant and equipment	5 to 10 years	5 to 10 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 5c.

(g) Leases

No finance leases existed during the financial year. All leased assets have been classified as operating leases as substantially all the risks and benefits incidental to the ownership of the leased assets remain with the lessor. Operating lease payments are charged as a rental expense in the Operating Statement on a basis which is representative of the pattern of benefits derived from the leased assets. The net present value of future net outlays in respect of surplus space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

(h) Employee entitlements

The liability for employee entitlements encompasses provisions 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 by employees is less than the annual entitlement for sick leave.

The provision for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 1998 and is recognised at its nominal value.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 1998. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

(i) Superannuation

The majority of ASIC employees are covered under the Commonwealth and Public Sector Superannuation Schemes. There are also a small number of employees covered under state government and private superannuation schemes. The majority of these employees were employed by the various state governments and were transferred to ASIC at its inception in 1989. Contributions made to these schemes by ASIC are included in employee expenses in the operating statement each year. Details of superannuation schemes to which ASIC contributes are disclosed in Note 19.

(j) Revenue

Revenue collected by ASIC under the Corporations Law is now disclosed in separate financial statements as required by the *Financial Management and Accountability Act 1997*.

ASIC is substantially funded by Parliamentary Appropriations which enable it to carry out its functions under the Corporations Law.

Operating revenue from independent sources is mainly comprised of bank interest, business names receipts, recoveries of legal costs and prosecution disbursements.

(k) Lease incentives

Cash lease incentives are recognised as a liability and are reduced by allocating lease payments between rental expense in the operating statement and the deferred lease incentive liability over the term of the lease.

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

(l) Receivables

Trade Debtors

This comprises amounts expected to be received from operating revenue. A provision for doubtful debts is not considered necessary.

(m) Resources received free of charge

Resources received free of charge are recognised as revenues in the Operating Statement where their fair value can be reliably measured. Use of the resources is recognised as an expense, or, where there is a long term benefit, an asset is recognised.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

(n) Expenditure of Boards and Panel

Pursuant to Sections 171, 202 and 224 of the *Australian Securities and Investments Commission Act 1989*, ASIC is required to support boards and a panel to promote activities which enable ASIC to attain its aims. Employee and administrative expenditure incurred on behalf of these boards and the panel are included in the Operating Statement of ASIC (Note 18).

(o) Rounding

Amounts are rounded off to the nearest \$1,000 except in relation to:

- remuneration of Commission Members;
- remuneration of executive officers; and
- remuneration of auditors.

(p) Comparative figures

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

(q) Financial instruments

Accounting policies in relation to financial instruments are disclosed in Note 22.

2. Segment reporting

ASIC's aim is to protect the interests of companies and investors by providing information about companies, helping businesses to interpret the law, and taking action against offenders. ASIC operates in a single activity and has offices in each state and territory in Australia.

3. Economic dependency

The activities of ASIC are dependent upon the appropriation of monies by the Parliament. Without these appropriations, ASIC would not be able to carry out its functions under the Corporations Law.

ASIC's appropriations have been further reduced in 1997/98. In order to manage the changes necessary to operate within this reduced funding base, ASIC arranged to borrow \$6.5m at 8% per annum in July 1997 from its future parliamentary appropriations commencing in 1998/99 (1996/97 \$4.0m which was repaid in 1997/98). This will be repaid over three years.

	1998 \$'000	1997 \$'000
4. Abnormal items		
Lease surrender payments	283	—
Leased space sub-lease expense	2,408	—
Surplus leased space expense	851	—
Leasehold improvements write-off on lease assignment	1,718	—
Lease incentive credits on lease assignment	(1,314)	—
Net cost of rationalising leases	3,946	—
Redundancy expenses	1,992	3,886
Superannuation pension expense — SA State Superannuation scheme	1,493	—
Total	7,431	3,886

Rationalisation of ASIC's leases in 1997/98 will result in considerable reduction in cash outlays for leases in future years. The Commission reviews from time to time its property leases to ensure maximum efficiency.

5. Expenditure**(a) Employee expenses**

Salaries	57,903	61,212
Superannuation (Note 19)	7,813	8,831
Annual leave provision	148	956
Long service leave provision	670	770
Other	733	936
Total employee expenses	67,267	72,705

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

	1998 \$'000	1997 \$'000
(b) Suppliers expenses		
Operating lease rentals	15,324	16,397
Property – other	5,277	5,479
Computer related	4,711	4,257
Consultants	4,021	2,346
Travel	4,193	3,114
Office requisites	3,306	3,103
Communication	3,175	3,428
Legal	3,386	2,788
Staff training & development	1,969	1,502
Other	2,819	2,489
Motor vehicle	807	869
Publicity and promotion	572	422
Freight and postage	985	979
Total suppliers expenses	50,545	47,173

(c) Depreciation and amortisation

Depreciation of property, plant & equipment	7,197	6,172
Amortisation of leasehold improvements	1,320	1,596
Total depreciation and amortisation	8,517	7,768

The aggregate amounts of depreciation and amortisation allocated during the reporting period, as expense for each class of depreciable asset are as follows:

Building on freehold land	3	3
Leasehold improvements	1,320	1,597
Computer equipment	4,908	4,418
Furniture & fittings	442	614
Imaging equipment	1,250	699
Office equipment	594	437
Total allocated	8,517	7,768

	1998 \$'000	1997 \$'000
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(d) Net losses from sale of assets

Plant and equipment	346	159
Net gains from the sale of assets are disclosed in Note 7b.		

6. Interest expense

Interest on loan from Department of Finance and Administration	520	–
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7. Operating revenue

(a) Bank interest	1,753	1,364
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(b) Net gains from sale of plant & equipment	98	22
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(c) Other revenue

Business names register usage fees	1,320	1,608
Cost recoveries (i)	1,148	2,699
Document imaging services	1,622	829
Other	1,602	509
Total other revenue	5,692	5,645

(i) ASIC has been a litigant in local courts. The amounts paid by ASIC for court costs, investigations, professional fees, legal costs and prosecution disbursements are recovered in some instances.

8. Revenues from Government

(a) Parliamentary appropriations

Appropriation Act No 1 1997/98	116,898	118,548
Appropriation Act No 2 1997/98	5,778	7,249
Appropriation Act No 3 1997/98	35	–
Total	122,711	125,797

Under Appropriation Act No 1 1997/98, ASIC borrowed an additional \$6.5m of funds from its future parliamentary appropriation (refer Note 3).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

	1998 \$'000	1997 \$'000
(b) Resources received free of charge		
During the year ASIC received services at no cost from the following organisations:		
Australian Federal Police (based on the estimated salary benefit received by ASIC)	541	471
Department of Finance and Administration (i)	7	27
Total	548	498

(i) Administrative services were provided to ASIC in respect of the processing of salary transactions for the period 1 July 1997 to 31 August 1997.

9. Debt**(a) Loans**

Loan from future parliamentary appropriations – refer Note 3

6,500	4,000
-------	-------

Loans are payable as follows:

within one year	1,678	4,000
within one to two years	2,012	–
within two to five years	2,810	–
Total loans	6,500	4,000

(b) Leases**Property lease incentives (i)**

The property lease incentive liability is repayable as follows:

within one year	1,637	1,636
within one to two years	1,513	1,636
within two to five years	922	2,882
more than five years	–	466
	4,072	6,620

Property sub-lease (surplus space) (ii)

1998 \$'000	1997 \$'000
----------------	----------------

2,408	–
-------	---

The net liability in respect of future payments for surplus space on non-cancellable leases is as follows:

within one year	813	–
within one to two years	731	–
within two to five years	864	–
	2,408	–

Total leases

6,480	6,620
-------	-------

(i) Total property lease incentives represents deferred rental expenditure accrued as at 30 June 1998. The payments of this amount will be made over the life of the leases, commencing after the expiry of the rent deferral periods.

(ii) The surplus space on non-cancellable leases has been recognised as a liability and an expense. The above amounts for operating lease rentals include the total expected outlay relating to surplus space as specified in the leases and is determined net of probable sub-lease revenue.

10. Provisions and payables**(a) Liabilities to employees**

Salaries and wages	905	2,849
Annual leave	6,856	6,708
Long service leave	11,082	10,411
Separation and redundancy	–	3,070
Superannuation pensions	1,493	–
Aggregate employee entitlement liability	20,336	23,038

(b) Suppliers

Trade creditors	1,352	1,159
-----------------	-------	-------

(c) Other

Interest payable on loan from future parliamentary appropriations	520	–
Document imaging services revenue – received in advance	–	140
	520	140

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

11. Equity

Item	Accumulated results		Asset revaluation reserve		Total Equity	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Balance 1 July	4,267	1,907	–	–	4,267	1,907
Surplus/(Deficit)	(3,824)	1,635	–	–	(3,824)	1,635
Net revaluation increases/(Decreases)	–	–	314	–	314	–
Changes in accounting policies	–	725	–	–	–	725
Balance 30 June	443	4,267	314	–	757	4,267

The net revaluation increase in the asset revaluation reserve comprises: \$'000

• revaluation increment – leasehold improvements 314

	1998 \$'000	1997 \$'000
--	----------------	----------------

12. Financial assets

(a) Cash

Cash at bank and on hand	3,446	7,379
Deposits at call	4,389	4,180
	7,835	11,559

(b) Receivables

Goods and services	441	691
Other debtors	99	191
	540	882

Receivables includes receivables overdue by:

– 30 to 60 days	239	31
– more than 60 days	100	185
	339	216

(c) Investments

Internal Treasury Bills	660	–
	660	–

This investment activity was undertaken by the Minister for Finance and Administration.

13. Non-financial assets

(a) Land and buildings

Freehold land at May 1997 valuation (i)	30	30
Building on freehold land at May 1997 valuation	125	125
Accumulated depreciation	(3)	–
	122	125
Leasehold improvements – at valuation (ii)	6,304	29,801
Accumulated amortisation	–	(23,799)
	6,304	6,002
Total land and buildings	6,456	6,157

(i) The revaluation of the freehold land and building was performed on 20 May 1997 in accordance with the progressive revaluation policy stated at Note 1(e) by an independent valuer T.J.Shaw B.Bus (Prop) A.V.L.E. (Val). The valuation obtained confirmed the carrying value of the land and building.

(ii) The revaluation of the Leasehold Improvements was performed on 30 June 1998 in accordance with the progressive revaluation policy stated at Note 1(d) by an independent valuer from the Australian Valuation Office.

(b) Plant and equipment

Computer equipment – at cost	32,989	30,775
Less accumulated depreciation	(19,761)	(17,332)
	13,228	13,443
Furniture & fittings – at cost	4,463	4,438
Less accumulated depreciation	(3,431)	(2,994)
	1,032	1,444
Imaging equipment – at cost	7,158	5,722
Less accumulated depreciation	(3,715)	(2,547)
	3,443	3,175
Office equipment – at cost	6,978	7,209
Less accumulated depreciation	(5,563)	(5,671)
	1,415	1,538
Total plant and equipment	19,118	19,600

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

(c) Movement summary 1997/98 for all property, plant and equipment.

ITEM	LAND \$'000	BUILDINGS \$'000	LEASEHOLD IMPROVEMENTS \$'000	COMPUTER EQUIPMENT \$'000	FURNITURE & FITTINGS \$'000	IMAGING EQUIPMENT \$'000	OFFICE EQUIPMENT \$'000	TOTAL \$'000
Gross value as at 1 July 1997	30	125	29,801	30,775	4,438	5,722	7,209	78,100
Additions:	–	–	3,041	8,098	32	1,549	536	13,256
Revaluations: (i)	–	–	(23,970)	–	–	–	–	(23,970)
Disposals:	–	–	(2,568)	(5,884)	(7)	(113)	(767)	(9,339)
Gross value as at 30 June 1998	30	125	6,304	32,989	4,463	7,158	6,978	58,047
Accumulated depreciation/ amortisation as at 1 July 1997	–	–	23,799	17,332	2,994	2,547	5,671	52,343
Depreciation/amortisation charge for assets held 1 July 1997	–	3	1,002	4,074	440	1,216	559	7,294
Depreciation/amortisation charge for additions	–	–	318	834	2	34	35	1,223
Adjustment for revaluations	–	–	(24,284)	–	–	–	–	(24,284)
Adjustment for disposals	–	–	(835)	(2,479)	(5)	(82)	(702)	(4,103)
Adjustment for other movements	–	–	–	–	–	–	–	–
Accumulated depreciation/ amortisation as at 30 June 1998	–	3	–	19,761	3,431	3,715	5,563	32,473
Net book value as at 30 June 1998	30	122	6,304	13,228	1,032	3,443	1,415	25,574
Net book value as at 1 July 1997	30	125	6,002	13,443	1,444	3,175	1,538	25,757

(i) In accordance with ASIC's policy on progressive revaluations (Note 1(d)), these assets were revalued as at 30 June 1998. The gross cost of these assets reflects current values and the accumulated depreciation charges of \$23.970m reflects the service potential consumed to date. The net book value as at 30 June 1998 is \$6.304m.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

	1998 \$'000	1997 \$'000
(d) Other non-financial assets		
Prepaid property rentals	914	752
Other prepayments	422	274
Total other non-financial assets	1,336	1,026

14. Cash flow reconciliation

Reconciliation of net cash flows from operating activities to net cost of services

Net cost of services	(127,083)	(124,660)
Revenues from Government	123,259	126,295
Operating surplus/(deficit)	(3,824)	1,635
Depreciation and amortisation of property, plant and equipment	8,517	7,768
Increase (decrease) in employee liabilities	(2,702)	(6,618)
Increase in other assets	(310)	559
Decrease in receivables	342	195
Increase in liability to suppliers	193	329
Decrease in other payables	(140)	(1,600)
Unearned revenue	(140)	–
Interest payable	(520)	–
Abnormal property expenses	2,408	–
Loss on disposal of property, plant and equipment	346	159
Redundancy benefits	–	3,070
Net cash provided /(used) by operating activities	4,170	5,497

15. Related parties

The members of the Commission during the year were:

A. J. Cameron (Chairman)

W. P. Day (Deputy Chairman from 1 October 1997)

J. S. Segal (Commissioner from 13 October 1997)

B. J. Mithen (acting Commissioner from 11 December 1996 to 12 October 1997)

J. P. Longo (acting Commissioner from 23 April 1997 to 30 September 1997)

There were no related party transactions during the reporting period. The aggregate remuneration of Commissioners is disclosed in Note 16(a).

	1998 \$	1997 \$
--	------------	------------

16. Remuneration of Commissioners and executive officers

(a) Remuneration of Commissioners

Remuneration (including employer superannuation contributions, fringe benefits tax, and retirement/resignation benefits) received or due and receivable by Commissioners. **708,072** 715,308

The aggregate of superannuation payments paid on behalf of Commissioners totalled **\$57,494** (1996/97 \$63,440).

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

	1998 Commissioners	1997 Commissioners
Bands of Remuneration		
\$ 20,000 – \$ 29,999	–	1
\$ 40,000 – \$ 49,999	–	1
\$ 60,000 – \$ 69,999	2	–
\$100,000 – \$109,999	–	1
\$150,000 – \$159,999	1	2
\$170,000 – \$179,999	1	–
\$220,000 – \$229,999	–	1
\$250,000 – \$259,999	1	–
	5	6

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

	1998 \$'000	1997 \$'000
(b) Remuneration of executive officers		
Remuneration (including employer superannuation contributions, fringe benefits tax, performance based pay and retirement/resignation benefits) received or due and receivable by executives:	5,649,638	5,050,858

Bands of Remuneration	1998 Executives	1997 Executives
\$100,000 – \$109,999	3	–
\$110,000 – \$119,999	3	13
\$120,000 – \$129,999	6	12
\$130,000 – \$139,999 *	7	5
\$140,000 – \$149,999 *	7	–
\$150,000 – \$159,999 *	2	2
\$160,000 – \$169,999	1	1
\$170,000 – \$179,999	1	–
\$180,000 – \$189,999	2	–
\$210,000 – \$219,999 *	1	–
\$220,000 – \$229,999 *	1	–
\$240,000 – \$249,999 *	1	–
\$250,000 – \$259,999 *	1	1
\$310,000 – \$319,999 *	1	1
\$380,000 – \$389,999 *	–	1
	37	36

* includes redundancy/retirement payment

The executive remuneration includes all executive officers concerned with or taking part in the management of ASIC during 1997/98 except for the Commissioners.

17. Trust monies

ASIC has established a number of trust accounts. Monies received are placed in special bank accounts and expended in accordance with the *Corporations Law*. These monies are not available for other purposes of ASIC and are not recognised in the financial statements.

Section 462 Companies Code receipts (represented by cash at bank)

Opening balance	422	455
Receipts	249	811
Interest received	8	22
Disbursements	(516)	(866)
Closing balance	163	422

Security Deposits under s786(2)(d) (Dealers & investment advisers)

Cash (at bank)	240	240
Interest bearing deposits (at bank)	1,425	1,467
Inscribed stock	260	377
Insurance bonds	2,725	2,925
Bank guarantees	31,980	27,569
Total	36,630	32,578

Security Deposits under s1284(1) (Liquidators)

Inscribed stock	61	61
Insurance bonds (a)	15,025	13,825
Bank guarantees	350	250
Total	15,436	14,136

Companies Unclaimed**Money Account (Part 9.7)****(represented by cash at bank)**

Opening balance	18,756	16,479
Receipts	4,066	3,340
Interest received	986	1,246
Disbursements	(592)	(2,062)
Management costs recovered by ASIC	(332)	(247)
Consolidated revenue transfer	(75)	–
Closing balance	22,809	18,756

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

	1998 \$'000	1997 \$'000
Settlements monies (represented by cash at bank)		
Opening balance	393	378
Receipts	65	103
Interest received	15	20
Disbursements	(45)	(108)
Closing balance	428	393

(a) As a result of changes made to ASIC Policy Statement 33 in July 1994, ASIC has approved an alternate arrangement for security deposits for Liquidators under section 1284(1) of the *Corporations Law*. ASIC will accept an undertaking from all registered liquidators who hold practising certificates from either the Institute of Chartered Accountants in Australia (ICAA) or the Australian Society of Certified Practising Accountants (ASCPA) to maintain professional indemnity insurance in accordance with the requirements of the ICAA or ASCPA. The acceptable terms of the professional indemnity insurance will be a minimum of \$250,000 on each and every claim. There is no impact on the financial statements of ASIC.

18. Expenditure relating to Boards and Panel

Employee and administrative expenses were charged against ASIC's appropriations by the following panel and boards pursuant to Sections 171, 202 and 224 of the *Australian Securities and Investments Commission Act 1989*:

Corporations and Securities Panel (CSP)	254	142
Companies Auditors and Liquidators Disciplinary Board (CALDB)	378	382
Australian Accounting Standards Board (AASB)	1,470	1,452

	1998 \$'000	1997 \$'000
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19. Superannuation

ASIC contributes to the superannuation schemes listed below which provide retirement, death and disability benefits to employees. Contributions to the schemes are at rates calculated to cover existing and emerging obligations.

Commonwealth schemes

Public Sector Superannuation		
Scheme (PSS)	4,110	4,713
Commonwealth Superannuation Scheme (CSS)	1,360	1,452
Total	5,470	6,165

State schemes

South Australia	87	131
New South Wales	442	465
Queensland	214	249
Western Australia	32	38
Tasmania	—	3
Victoria	134	181
Total	909	1,067

Private schemes

Superannuation productivity benefit	1,301	1,430
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Superannuation administration fee and charges

115	108
7,813	8,831

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

Commonwealth schemes**Public Sector Superannuation Scheme (PSS)**

Fund type:	Defined benefit plan
Principal type of benefit:	Lump sum/pension
Basis of contributions:	Various percentages of employee's gross salary
Date of last actuarial review:	30 June 1995
Name of actuary:	Mr K E Deeves, FIAA

Commonwealth Super Scheme (CSS)

Fund type:	Split benefit plan
Principal type of benefit:	Lump sum/pension
Basis of contributions:	Fixed percentages of employee's gross salary
Date of last actuarial review:	30 June 1995
Name of actuary:	Mr K E Deeves, FIAA

State schemes**South Australian Superannuation Scheme**

Fund type:	Defined benefit plan
Principal type of benefit:	Lump sum/pension
Basis of contributions:	Fixed percentages of employee's gross salary
Date of last actuarial review:	30 June 1995
Name of actuary:	Mr P Crump, FIAA

**State Authorities Superannuation Board
(New South Wales)**

Fund type:	Split benefit plan
Principal type of benefit:	Lump sum/pension
Basis of contributions:	Fixed percentages of employee's gross salary
Date of last actuarial review:	30 June 1997
Name of actuary:	Mr M A Stevenson, BSc, FIA, FIAA

**Queensland Government Superannuation Programme
(Q Super)**

Fund type:	Split benefit plan
Principal type of benefit:	Lump sum/pension
Basis of contributions:	Fixed percentages of employee's gross salary
Date of last actuarial review:	30 June 1995
Name of actuary:	Mr C A Harrison, BBusSc, FIA, FIAA

**Government Employees Superannuation Board
(Western Australia)**

Fund type:	Defined benefit plan
Principal type of benefit:	Lump sum
Basis of contributions:	Fixed percentage of employee's gross salary
Date of last actuarial review:	30 June 1996
Name of actuary:	Mr A C Miller, FIAA

Retirement Benefits Fund (Tasmania)

Fund type:	Defined benefit plan
Principal type of benefit:	Lump sum/pension
Basis of contributions:	Fixed percentage of employee's gross salary
Date of last actuarial review:	30 June 1995
Name of actuary:	Mr D C Orford, BSc, MBA, FIAA, FIA, ASA

Victorian Superannuation Board

Fund type:	Defined benefit plan
Principal type of benefit:	Lump sum/pension
Basis of contributions:	Fixed percentage of employee's gross salary
Date of last actuarial review:	30 June 1997
Name of actuary:	Mr S J Schubert, FIAA

Private schemes

Waverley Superannuation Fund

Fund type:	Defined contribution plan
Principal type of benefit:	Lump sum
Basis of contributions:	Fixed percentage of employee's gross salary
Unfunded liability:	Nil

Superannuation productivity benefit

AGEST

Fund type:	Defined contribution plan
Principal type of benefit:	Lump sum
Basis of contributions:	Fixed percentage of employee's gross salary
Unfunded liability:	Nil

3% Productivity superannuation

Payments made on behalf of staff members in accordance with the requirements of the *Superannuation (Productivity Benefit) Act 1988* were **\$1,300,870** (1996/97 – \$1,430,288).

1998
\$'000

1997
\$'000

20. Auditors remuneration

Amounts paid or payable to the Australian National Audit Office for auditing the financial statements in respect of the reporting period.

130,000

151,582

Amounts paid or payable for services provided by other auditors.

155,748

206,580

21. Assets vesting in ASIC

On the dissolution of a company, section 576 of the *Corporations Law* provides that the remaining property of the company, including any associated charges, claims or liabilities attaching to that property, vests in ASIC. ASIC adopts a passive approach to administering vested property and accounts for those assets as if it were a trustee. It generally only deals with vested property once an application is made to ASIC by a third party under section 575 or 577 of the *Corporations Law*. ASIC therefore does not consider it to be appropriate that the value of any identified property vesting in ASIC be recorded, or disclosed, in these financial statements.

ASIC has a broad discretionary power to deal with vested property pursuant to section 577 of the *Corporations Law* which states “...ASIC may get in, sell or otherwise dispose of, or deal with, that estate or interest or any part of that estate or interest as it sees fit”. ASIC is confident that the operation of section 246 of ASIC Act and section 578 of the *Corporations Law* effectively limits its liability in relation to vested property to the value of the specific property vested in ASIC.

These *Corporations Law* provisions applied during 1997-98. They have been repealed and replaced by substantially similar provisions commencing on 1 July 1998.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

22. Financial instruments

(a) 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 & conditions affecting the amount, timing and certainty of cash flows)
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Deposits at call	12(a)	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Temporarily 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 the prevailing daily rate for money on call and is paid at month end.
Receivables for goods & services	12(b)	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are net 14 days (1996-97: 14 days).
Other debtors	12(b)	As for receivables for goods and services	As for receivables for goods and services
Government securities	12(c)	Commonwealth Government Internal Treasury Bills are recognised at cost. Interest is credited to revenue as it accrues.	These securities have terms of one year and mature on 30 June 1999. The interest rate is 1%.
Financial liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Non-bank loans	9(a)	The loan is carried at the balance yet to be repaid. Interest is expensed as it accrues.	The loan is repayable in annual instalments. Interest is calculated on the reducing balance of the loan. The effective interest rate is 8.0%. The last instalment is due to be paid in 2000-01. The loan is unsecured.
Lease incentives	9(b)	The lease incentive is recognised as a liability on receipt of the incentive. The amount of the liability is reduced on a straight-line over the life of the lease by allocating lease payments between rental expense and reduction of the liability.	
Trade creditors	10(b)	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.	Settlement is usually made net 30 days.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

Note 22. Financial instruments (cont.)

(b) Interest rate risk

Financial instrument	Notes	Floating interest rate	Fixed interest rate										Non-interest bearing			Total	Weighted average effective interest rate	
			1 year or less		1 to 2 years		2 to 5 years		> 5 years									
			97-98 \$'000	96-97 \$'000	97-98 \$'000	96-97 \$'000	97-98 \$'000	96-97 \$'000	97-98 \$'000	96-97 \$'000	97-98 \$'000	96-97 \$'000	97-98 \$'000	96-97 \$'000	97-98 %	96-97 %		
Financial assets (recognised)																		
Cash at bank	12a	3,329	7,237	-	-	-	-	-	-	-	-	-	-	3,329	7,237	4.2	5.0	
Cash in hand	12a	-	-	-	-	-	-	-	-	-	-	-	117	142	117	142	n/a	
Deposits at call	12a	4,389	4,180	-	-	-	-	-	-	-	-	-	-	4,389	4,180	5.0	6.4	
Receivables for goods and services	12b	-	-	-	-	-	-	-	-	-	-	-	540	882	540	882	n/a	
Investments	12c	-	-	660	-	-	-	-	-	-	-	-	-	660	-	1	-	
Other debtors	13d	-	-	-	-	-	-	-	-	-	-	-	1,336	1,026	1,336	1,026	n/a	
Total financial assets (recognised)		7,718	11,417	660	-	-	-	-	-	-	-	-	1,993	2,050	10,371	13,467		
Total assets		35,945 39,224																
Financial liabilities (recognised)																		
Non-bank loans	9a	-	-	1,678	4,000	2,012	-	2,810	-	-	-	-	-	6,500	4,000	8.0	-	
Leases	9b	-	-	-	-	-	-	-	-	-	-	-	6,480	6,620	6,480	6,620	n/a	
Trade creditors	10b	-	-	-	-	-	-	-	-	-	-	-	1,352	1,159	1,352	1,159	n/a	
Other creditors		-	-	-	-	-	-	-	-	-	-	-	520	140	520	140	n/a	
Total financial liabilities (recognised)		-	-	1,678	4,000	2,012	-	2,810	-	-	-	-	8,352	7,919	14,852	11,919		
Total liabilities		35,188 34,957																

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

Note 22 Financial instruments (cont.)**(c) Net fair values of financial assets and liabilities**

	1997-98		1996-97	
	Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
Financial Assets				
Cash at bank	3,329	3,329	7,237	7,237
Cash on hand	117	117	142	142
Deposits at call	4,389	4,389	4,180	4,180
Receivables for goods and services	540	540	882	882
Investments	660	660	—	—
Other debtors	1,336	1,336	1,026	1,026
	10,371	10,371	13,467	13,467
Financial liabilities				
Non-bank loans	6,500	6,500	4,000	4,000
Leases	6,480	6,480	6,620	6,620
Trade creditors	1,352	1,352	1,159	1,159
Other creditors	520	520	140	140
	14,852	14,852	11,919	11,919

Financial assets

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

Financial liabilities

The net fair values of non-bank loans are approximated by their carrying amounts.

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

The net fair values for trade and other creditors, all of which are short-term in nature, are approximated by their carrying amounts.

(d) Credit risk exposures

ASIC's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Assets and Liabilities.

The economic entity has no significant exposures to any concentrations of credit risk.

FINANCIAL STATEMENTS FOR REVENUE COLLECTED UNDER THE CORPORATIONS LAW

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INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 1998

To the Treasurer

Scope

I have audited the Australian Securities and Investments Commission Financial Statements (Commonwealth Revenue) for the year ended 30 June 1998. The financial statements comprise:

- Statement by the Acting Chairman
- Statements of:
 - Administered Revenues and Expenses
 - Administered Assets and Liabilities
 - Administered Cash Flows
- Schedule of Administered Commitments
- Schedule of Administered Contingencies
- Notes to and forming part of the Financial Statements.

The Commission's Chairman is responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you, the Treasurer.

The audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view of the Commission in respect of Commonwealth Revenue which is consistent with my understanding of its financial position, its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In my opinion,

- i) the financial statements have been prepared in accordance with Schedule 2 of the Finance Minister's Orders
- ii) the financial statements give a true and fair view, in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and Schedule 2 of the Finance Minister's Orders, of the financial position of the Australian Securities and Investments Commission in respect of Commonwealth Revenue as at 30 June 1998 and the results of its operations and its cash flows in respect of that revenue for the year then ended.

Australian National Audit Office



Russ Chantler

Executive Director

Delegate of the Auditor General

Sydney

18 September 1998

STATEMENT BY THE ACTING CHAIRMAN

In my opinion, the attached financial statements give a true and fair view of the matters required by Schedule 2 to the Finance Minister's Orders made under section 63 of the *Financial Management and Accountability Act 1997*.

A handwritten signature in black ink, appearing to read 'W P Day', with a long horizontal stroke extending to the right.

W P Day

Acting Chairman

17 September, 1998

ADMINISTERED REVENUES AND EXPENSES

FOR YEAR ENDED 30 JUNE 1998

	Notes	1997-98 \$'000
Revenues		
Taxation		
Other taxes, fees and fines	4	<u>341,603</u>
Total taxation		341,603
Non-taxation		
Other	1g,10	<u>21</u>
Total non-taxation		21
Total revenues		<u>341,624</u>
Expenses		
Net write – down of administered assets	3	6,165
Other	1g,10	<u>21</u>
Total expenses		<u>6,186</u>
Net contribution to Government		<u>335,438</u>
Transfers		
Cash to Official Commonwealth Public Account	9	<u>(326,090)</u>
Net change in administered assets before extraordinary items	9	9,348
Net revenues from extraordinary items		
— restructuring	5	<u>18,112</u>
Net change in administered assets	7	<u>27,460</u>
Accumulated results at 30 June	7	<u>27,460</u>

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

ADMINISTERED ASSETS AND LIABILITIES

FOR YEAR ENDED 30 JUNE 1998

	Notes	1997-98 \$'000
Provisions and payables		
Other	6	1,051
Total provisions and payables		1,051
Equity		
Accumulated results	7	27,460
Total equity		27,460
Total liabilities and equity		28,511
Financial assets		
Cash	8a	3,768
Receivables	8b	10,616
Accrued revenues	8c	14,127
Total financial assets		28,511
Total assets		28,511
Current liabilities		1,051
Current assets		28,511

ADMINISTERED CASH FLOWS

FOR YEAR ENDED 30 JUNE 1998

	Notes	1997-98 \$'000
Operating activities		
Cash received		
Taxation		
Other taxes, fees and fines		323,616
Total taxation		323,616
Total cash received		323,616
Cash used		
Cash to Official Commonwealth Public Account	9	326,090
Total cash used		326,090
Net cash from operating activities	9	(2,474)
Net decrease in cash held		(2,474)
add cash at 1 July	5	6,242
Cash at 30 June	11b	3,768

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

SCHEDULE OF ADMINISTERED COMMITMENTS
FOR YEAR ENDED 30 JUNE 1998

	Notes	1997-98 \$'000
By type		
Capital commitments		nil
Other commitments		nil

SCHEDULE OF ADMINISTERED CONTINGENCIES
FOR YEAR ENDED 30 JUNE 1998

	Notes	1997-98 \$'000
Contingent losses		nil
Contingent gains		nil

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(COMMONWEALTH REVENUE) FOR THE YEAR ENDED 30 JUNE 1998

Note Description

1. Objectives of the Australian Securities and Investments Commission
2. Summary of significant accounting policies
3. Administered expenses
4. Administered revenues
5. Net revenues from extraordinary items – restructuring
6. Administered provisions and payables
7. Administered equity
8. Administered financial assets
9. Cash flow reconciliation
10. Services provided by the Auditor-General
11. Administered financial instruments

1. Objectives of the Australian Securities and Investments Commission

The Australian Securities and Investments Commission is an independent Commonwealth government body set up by the *Australian Securities and Investments Commission Act 1989* (ASIC Act) to administer the Corporations Law throughout Australia.

ASIC's objective is to promote the confident and informed participation of investors and consumers in the financial system.

ASIC collects and administers the revenue earned under the Corporations Law by;

- receiving, processing and storing efficiently and quickly, the information given to the Commission under the Laws that confer functions and powers on it; and
- ensuring that information is available as soon as practicable for access by the public.

The revenues administered are collected under the *Corporations Act 1989* and the prescribed fees are set by the *Corporations (Fees) Regulations*.

2. Summary of significant accounting policies

(a) Basis of accounting

In addition to preparing a set of financial statements in compliance with the Commonwealth Authorities and Companies Act, ASIC is required to prepare a set of financial statements for the revenue it administers under the Corporations Law. This set of financial statements is prepared in compliance with Section 49 of the *Financial Management and Accountability Act (1997)* and comprise a general purpose financial report.

The statements have been prepared in accordance with Schedule 2 to the Financial Management and Accountability (FMA) Orders made by the Minister for Finance and Administration. Schedule 2 requires that the financial statements are prepared:

- in compliance with Australian Accounting Standards, Accounting Guidance Releases and Urgent Issues Group consensus views; and
- having regard to Statements of Accounting Concepts.

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

The continued existence of ASIC in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for ASIC's administration and programs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (COMMONWEALTH REVENUE) FOR THE YEAR ENDED 30 JUNE 1998

(b) Changes in accounting policy

Schedule 2 requires disclosure when a change in accounting policies has a material impact on the financial statements. Several matters have impacted either directly or indirectly by changes in accounting policy.

- i) **\$18,112,000** brings to account an extraordinary once off revenue amount which represents the opening balance in equity (see note 5).
- ii) **\$14,127,000** to bring to account potential revenues, resulting from registered companies not having lodged their 1997 Annual Returns. Annual return fees in respect of all companies having an obligation to lodge an annual return and remit the statutory fees for their 1997 annual return in accordance with the requirement of the Corporations Law, have been brought to account for the purposes of determining accrued revenue. Fees have been accrued only where it is probable the amounts will be collected (note 8c).

(c) Administered items

Administered items are those items which are controlled by the Government and managed or oversighted by ASIC on behalf of the Government.

Schedule 2 requires that administered transactions are accounted for on a double entry basis. The effect of this requirement is that transfers of cash to the official Commonwealth Public Account (CPA) will be reported on the face of the Statement of Administered Revenues and Expenses where operating transactions are involved, and that, where transactions involving financial assets and liabilities not arising from operations are involved, receivables from and payables to the CPA will be recognised in the Statement of Administered Assets and Liabilities.

(d) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits held at call with a bank.

(e) Taxation

Administered items are exempt from all forms of taxation.

(f) Bad and doubtful debts

Debts deemed uncollectable are written off against a provision for doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.

(g) Resources received free of charge

Resources received free of charge are recognised in the Statement of Revenues and Expenses as revenue when and only when a fair value can be reliably determined and measured. Use of those resources is recognised in the net contribution to government.

(h) Rounding

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

- fee write off and waivers;
- remuneration of auditors; and
- acts of grace payments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(COMMONWEALTH REVENUE) FOR THE YEAR ENDED 30 JUNE 1998

(i) Administered revenue recognition

(i) Definition of Revenue

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

(ii) Recognition of Revenue

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

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

Statutory Revenue arising from services rendered by ASIC under the Corporations Law is collected and deposited in the CPA on behalf of the Commonwealth.

Statutory revenue comprises fees for the lodgement of annual returns and other prescribed fees and voluntary enquiries from clients for microfiche, certificates and document images.

ASIC also determines a reliable estimate of amounts payable by existing clients who have been identified as not having remitted or not lodged an annual return.

(j) Comparative figures

As this is the first year in which Administered Items have been reported separately and on an accruals basis, no comparative figures have been disclosed. In previous years these items were reported on a cash basis in the notes to and forming part of the financial statements of ASIC.

(k) Financial instruments

Accounting policies in relation to financial instruments are disclosed in Note 11. ASIC is complying with the requirements of AAS33 *Presentation and Disclosure of Financial Instruments*, which applies to ASIC for the first time in 1997-98.

(l) Insurance

In accordance with Commonwealth Government policy, assets are not insured and losses are expensed as they are incurred.

3. Administered expenses

Write down of administered assets

	Note	1997-98 \$'000
Write off of fees and charges	a	3,724
Waiver of fees and charges owing	b	1,532
Other	c	909
Total write down of assets		6,165

- The number, and aggregate amount, of Commonwealth monies, written off during the financial year pursuant to section 47 of the *FMA Act 1997* is as follows: **16,896** items totalling **\$3,724,471**.
- The number, and aggregate amount, of amounts owing to the Commonwealth, the recovery of which was waived during the financial year pursuant to subsection 34(1) of the *FMA Act 1997* is as follows: **9,039** items totalling **\$1,531,894**.
- A provision for doubtful debts has been calculated equivalent to 14.5% of debts over 90 days, totalling **\$908,731**.
- There were five (5) Act of Grace payments totalling **\$9,205** made during the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(COMMONWEALTH REVENUE) FOR THE YEAR ENDED 30 JUNE 1998

4. Administered revenues**Other taxes, fees and fines****Corporations Law fees and charges**

	Note	1998 \$'000 Fines	1998 \$'000 Fees	1998 \$'000 Total
Mandatory collections	a	29,739	290,601	320,340
Information broker fees	b		16,875	16,875
Court recoveries	b	423		423
Voluntary enquiries	c		3,965	3,965
Total Corporations Law fees and charges		30,162	311,441	341,603

- a. Fees and charges arising from acts which are mandatory under the Corporations Law. Examples include lodgement of Annual Returns and other fees prescribed in Fees Regulations.
- b. Fees and charges arising from other acts under the Corporations Law. Examples include Information Brokers Fees and Court recoveries relating to the Summary Prosecutions program.
- c. Fees and charges arising from voluntary enquiries from clients. Examples include requests for Extracts, Microfiche records, Certificates and Document Images.

	1998 \$'000	1998 \$'000
--	----------------	----------------

5. Net revenues from extraordinary items – restructuring

As a consequence of effectively being the first set of accrued statements, this has given rise to the establishment of an opening equity balance as detailed hereunder.

Provisions and payables

refunds	(1,468)
	<u>(1,468)</u>

Financial assets

bank	6,242
receivables	13,338
	<u>19,580</u>

Equity

opening balance	<u>18,112</u>
-----------------	---------------

6. Administered provisions and payables**Other provisions**

Refunds	1,033
Other trust monies	18
	<u>1,051</u>

7. Administered equity**Accumulated results**

Balance 1 July 1997	nil
Net change in administered assets	27,460
Balance 30 June 1998	<u>27,460</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(COMMONWEALTH REVENUE) FOR THE YEAR ENDED 30 JUNE 1998

	1998 \$'000
8. Administered financial assets	
(a) Cash	
Mandatory charges & fees provided for services	2,735
Refund monies	1,033
Total	3,768
(b) Receivables	
Corporations Law fees and charges	9,640
Information broker fees	1,885
Gross receivables	11,525
Less provision for doubtful debts	(909)
	10,616
The total of uncollected Commonwealth revenue classified by age analysis which are overdue is as follows:	
less than 30 days	3,929
30 to 60 days	832
61 to 90 days	504
More than 90 days	6,260
Total owing	11,525
(c) Accrued revenues	
Annual returns not yet lodged	9,004
Late fees attributable to annual returns	5,123
	14,127

	1998 \$'000
9. Cash flow reconciliation	
Reconciliation of net contribution to Government to net cash provided by operating activities	
Net contribution to government	335,438
Cash to Commonwealth Public Account	(326,090)
Net increase in administered assets from operations	9,348
Increase in provisions for doubtful debts	909
Decrease in other payables	(417)
Decrease in receivables	1,814
Increase in accrued revenue	(14,128)
Net cash from operating activities	(2,474)

10. Services provided by the Auditor-General

Financial statement audit services are provided free of charge to ASIC in relation to the audit of Corporations Law revenue items. The fair value of audit services provided is \$21,500.

No other services were provided by the Auditor-General.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(COMMONWEALTH REVENUE) FOR THE YEAR ENDED 30 JUNE 1998

11. Administered financial instruments

(a) 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 & conditions affecting the amount, timing and certainty of cash flows)
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Deposits at call		Deposits are recognised at their nominal amounts.	Monies awaiting payment to the CPA are held at call with ASIC's banker.
Receivables – Corporation Law fees outstanding	8b	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are net 30 days . (1996-97: 30 days).
Accrued revenues	8c	As for Receivables – Corporations Law fees outstanding.	As for Receivables – Corporations Law fees outstanding.
Financial liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Refunds	6	These amounts are payable to companies that have either 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.
Payable to the CPA		Monies held awaiting payment to the CPA for Corporation Law fees and charges are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.	Monies awaiting payment to the CPA are held at call with ASIC's banker.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(COMMONWEALTH REVENUE) FOR THE YEAR ENDED 30 JUNE 1998

Note 11 Administered financial instruments (cont.)

(b) Interest rate risk: administered

Financial instrument	Notes	Floating interest rate	Fixed interest rate				Non-interest bearing	Total	Weighted average effective interest rate
			1 year or less 97-98 \$'000	1 to 2 years 97-98 \$'000	2 to 5 years 97-98 \$'000	> 5 years 97-98 \$'000			
Financial assets (recognised)									
Cash at bank	8(a)	-	-	-	-	-	3,768	3,768	n/a
Receivables	8(b)	-	-	-	-	-	10,616	10,616	n/a
Accrued revenue	8(c)	-	-	-	-	-	14,127	14,127	-
Total financial assets (recognised)									
Total assets		-	-	-	-	-	28,511	28,511	-
Financial liabilities (recognised)									
Refunds	6	-	-	-	-	-	1033	1033	n/a
Other Trust monies	6	-	-	-	-	-	18	18	n/a
Total financial liabilities (recognised)									
Total liabilities		-	-	-	-	-	1,051	1,051	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(COMMONWEALTH REVENUE) FOR THE YEAR ENDED 30 JUNE 1998

Note 11. Administered financial instruments (cont.)

(c) Net fair values of administered financial assets and liabilities

Administered financial assets

	Notes	1997-98 Total carrying amount \$'000	Aggregate net fair value \$'000
Cash at bank and on hand	8a	3,768	3,798
Fees receivable	8b	10,616	10,616
Accrued revenue	8c	14,127	14,127
Total financial assets		28,511	28,511

Financial liabilities (recognised)

Refunds	6	1,033	1,033
Other	6	18	18
Total financial liabilities (recognised)		1,051	1,051

Financial assets

The net fair values 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.

(d) 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 indicated in the Statement of Administered Assets and Liabilities.

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

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ASIC

Australian Securities &
Investments Commission

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<http://www.asic.gov.au>

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