

# ASIC Annual Report



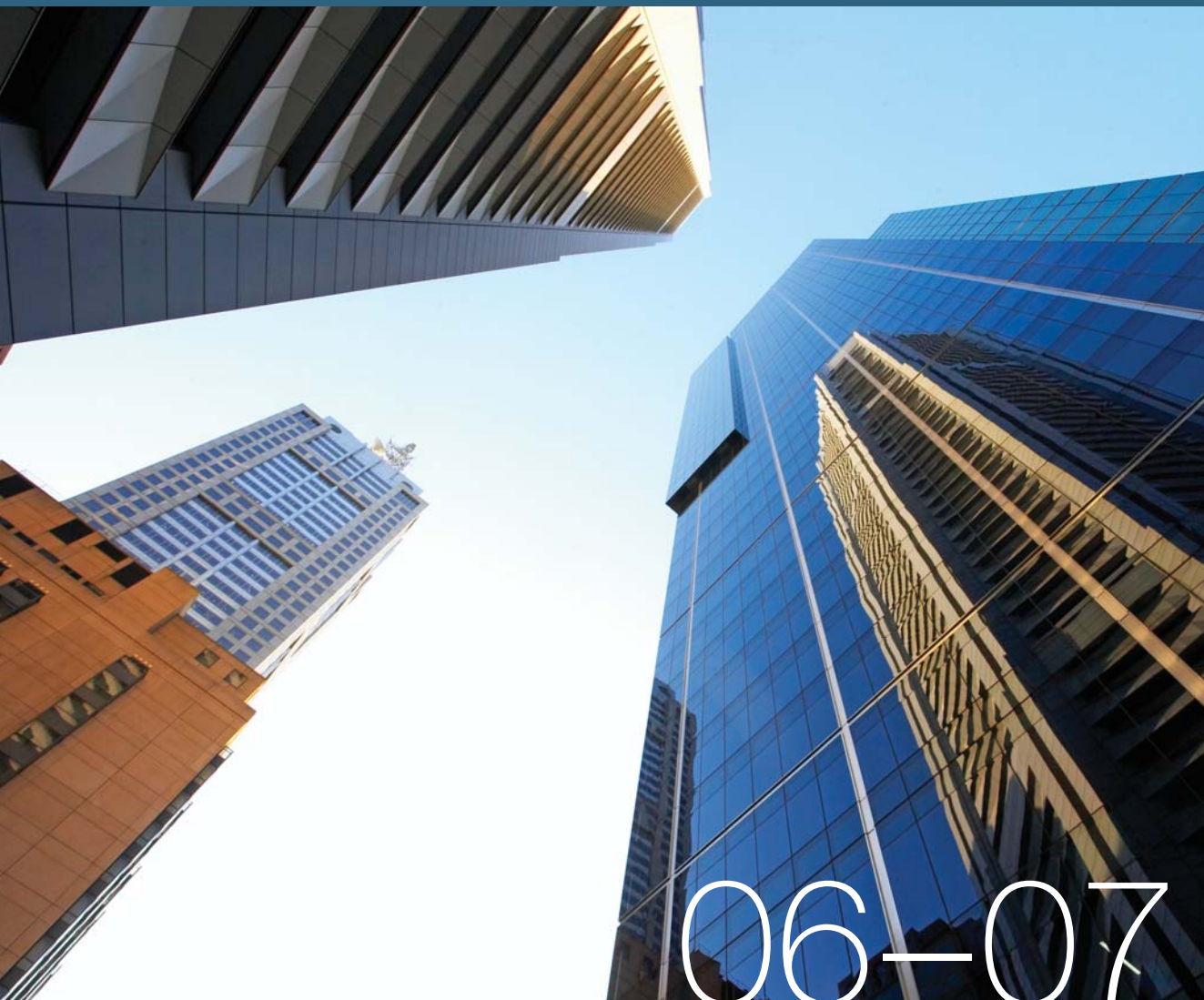
## Regulating in a Time of Growth

Markets, business, investors and consumers



ASIC

Australian Securities &  
Investments Commission



06-07

# About this report

ASIC aims for transparency and clear communication. Last year's annual report won our 8<sup>th</sup> consecutive Gold Award from the Australasian Reporting Awards Inc.

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

This is our 17<sup>th</sup> annual report. ASIC began operating in January 1991, then as the Australian Securities Commission.

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# ASIC at a glance

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

Our 2006–07 priorities | Highlights of the year, page 3.

Main activities | Regulated Australia's 1.6 million corporations, 4,625 financial services businesses and 17 financial markets.

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

Cooperated with Australian and international regulatory bodies, page 29.

Vision | Fair and efficient markets and confident, informed consumers.

For our plans, aims and outputs, see pages 4, 9, 10.

Delivered through six directorates, page 15.

Values | To be strong, fair and progressive, page 38.

Finances | Our work cost \$256 million, funded from the Commonwealth budget, page 10.

Staff | Employed 1,581 people around Australia (average full-time equivalents), page 13.

Governance | An independent Commonwealth government body, led by three full-time Commissioners, accountable to the Minister, Parliament and through administrative and judicial review, page 36.



# Highlights 2006–07

Completed our investigation into criminal offences involving the HIH companies: 4 convictions and 3 jail terms imposed this year, 9 convictions and 7 jail terms in all, and 4 people still before the courts.

Set up a special team, including outside experts, to implement a 3-point plan on unlisted and unrated securities, see page 5.

Completed 51 criminal and 76 civil proceedings in the courts, 97% successfully, pages 6 and 16.

Significantly increased the disqualification of directors of assetless and failed companies, up 250% to 81, through closer collaboration with company liquidators, page 19.

A record 55 million public requests for business information from our databases, and a record 1 million visits to our consumer website FIDO, pages 27 and 20.

# Chairman's report



Tony D'Aloisio, ASIC Chairman,  
see page 34 for biographical details.

This is my first report as incoming ASIC Chairman, having been appointed on 13 May 2007. I joined ASIC as a Commissioner on 22 November 2006. I look forward to working constructively with our stakeholders, including business and consumers, with business and consumer associations, and with governments and other agencies.

Former Chairman, Jeffrey Lucy, AM, will continue as a Commissioner based in Adelaide for another two years. Our Deputy Chairman, Jeremy Cooper, is based in Melbourne. Under Jeffrey's Chairmanship, ASIC continued to build on its developing reputation as one of the top regulators of corporations and financial markets in the world.

Over the next four years ASIC will seek to further improve business integrity in Australia. ASIC's vision is that through the combined efforts of business, consumer, government and other agencies, we will not only maintain but improve business integrity in Australia and when benchmarked against global best practice, Australia's position will be at the top.

Over the next 12 months, we will build on what ASIC has achieved to date through six priorities.

## **Lifting operational effectiveness**

The first priority is to continue with business as usual, with the key objective of lifting operational effectiveness and service levels for all stakeholders. This should translate into outcomes of improved and more cost-effective services for all stakeholders, including small and medium companies, who deal with ASIC.

## **Retail investors**

For retail investors, ASIC's priority is to assist them to better manage and protect their investments and wealth. The growth in direct retail investment has increased significantly and we are seeing more sophisticated products aimed at retail investors.

A taskforce will examine the risks for the retail investor, and respond with projects to help address these risks and to develop a more investment-wise retail sector, with better access to quality advice and better equipped to protect their wealth.

To deal with the particular issues of investors in unrated and unlisted securities, in June 2007, we set up a special team, including outside experts, to implement a 3-point plan covering (1) existing securities, (2) proposed issues of new securities and (3) both new and existing securities. Broadly, the plan is to assess current risks in these types of investments and examine options for additional investor protection and investor education programs.

### Capital markets

ASIC's third priority is to continue to maintain and improve confidence and integrity in Australia's capital markets.

While we have had successes in deterring insider trading and market manipulation, we intend to do more. A taskforce is being established to determine what additional actions ASIC, in cooperation with the Australian Securities Exchange (ASX), can take in the areas of continuous disclosure, market manipulation and insider trading. The team will cover both exchange-traded products and the over-the-counter market.

### Small and medium business

For small and medium businesses, ASIC is responsible for the legal 'infrastructure' that underpins the financial system and the wider economy. We will assess how ASIC can use new technology to improve existing services, add new services and reduce costs—that is, to reduce 'red tape' in providing this infrastructure. There are important benefits to unlock for small and medium businesses.

### Developing our capital markets

ASIC also needs to consider how it can better facilitate inward and outward investment in our capital markets. We want to ensure there are only the necessary minimum roadblocks to investment flows, commensurate with adequate protection.

This should facilitate both more liquid Australian markets and better access to offshore investment opportunities for Australia's investment pool, generating more competition, diversification and better overall returns for Australian investors.

### Strategic review

While these priorities are progressing, we are conducting an overall review of ASIC's strategies. The review is being conducted within the existing legislative framework and looks at where ASIC needs to be in three to five years. This strategic review will feature an extensive survey of external stakeholders to assist us to assess our priorities, what we do well and where we need to improve.

### Overall approach

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As incoming Chairman, my approach has been to identify the immediate priorities and pursue them and, while doing so, conduct a review of the organisation using a fresh set of eyes and develop scorecards to measure and report on outcomes achieved.

While there is much to be done, the Commission and I give full credit to our people for what has been achieved and for their focus on the priorities for the year ahead.

My report, and the rest of this annual report except for the financial statements, constitute ASIC's report of operations in accordance with a unanimous resolution of Commissioners made on 3 August 2007.



Tony D'Aloisio  
Chairman



## Summary of 2006–07

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### **Upholding standards and enforcing the law**

We completed our investigation into criminal offences involving directors and officers of the HIH group of companies. Four people were convicted this year and three given custodial sentences, making 9 convictions and 7 custodial sentences in all. Four former HIH directors and officers are still facing prosecution.

We entered into an enforceable undertaking with Multiplex Ltd for a \$32 million compensation fund for those investors affected by a failure of the Multiplex Group to meet its continuous disclosure obligations concerning a material change in profit on the Wembley National Stadium project in London. The undertaking accelerated payment to investors from an amount of \$50 million that Multiplex's major shareholders had agreed to provide.

We commenced civil penalty action against James Hardie companies and former executives and non-executive directors.

Through closer collaboration with company liquidators, and with additional funding from government, we vigorously pursued people who demonstrated their unsuitability to act as company directors, 81 as directors of assetless and failed companies. Another 29 directors were banned for other breaches of the law.

Our proceedings against Citigroup were not successful. The Court found on the two key issues that Citigroup had not engaged in insider trading and did not contravene the conflict of interest provisions of the Corporations Act while acting as adviser to Toll Holding's takeover bid for Patrick Corporation.

Overall, we were successful in 97% of our criminal and civil litigation.

### **Unlisted, unrated securities for retail investors**

A significant number of people face losses from investments in securities (debentures and unsecured notes) issued by property finance companies, including Westpoint, Fincorp and Australian Capital Reserve.

Criminal charges were laid against one of the promoters of the Westpoint property finance group, which was wound up in 2005. Our investigation is continuing.

Where ASIC detected inadequate disclosure and misleading and deceptive advertising, we took repeated action to ensure these and similar companies disclosed risks to potential investors. We also warned investors through the media and public statements about the risks in these types of securities. We have identified this area as a clear priority and outlined a three-point plan in our outlook and priorities.

### **Better regulation**

As part of our *Better regulation* initiative to cut 'red tape' and improve transparency, we published a new guide to ASIC's organisation and accountability, worked to reduce regulatory overlap and began simplifying the range of our regulatory documents.

The Sydney and Melbourne chapters of our new Business Consultative Panel, a group of senior business executives, met with Commissioners to help us promote closer interaction with business.

In our everyday work as a regulator, we continued to assist business, for example we processed a record 55 million public requests for business information from our databases, and granted relief from 2,359 provisions of the law that helped business transactions.

### **International cooperation**

We delivered a major program to strengthen the Indonesian capital markets supervisory agency, Bapepam-LK, in enforcement and surveillance. We helped develop proposals for Australia and New Zealand to recognise each other's regulatory requirements for offerors of securities and interests in managed investment schemes. We are working with US and Hong Kong regulators to establish similar arrangements.





Australia and the Indonesian financial markets regulator, Bapepam-LK continue to develop closer relationships under the Australian Government-funded 'Australia Indonesia Partnership for Reconstruction and Development Program'.

ASIC chaired the International Organization of Securities Commissions (IOSCO) taskforce into auditor independence in providing non-audit services. The International Forum of Independent Audit Regulators was formed with Commissioner Jeffrey Lucy, AM as its inaugural Chairman.

Our 2007 Summer School, the largest yet held, brought together more than 300 participants from Australia and overseas to examine *Global markets: regulating for economic growth*. ASIC thanks the Treasurer, Parliamentary Secretary to the Treasurer, and senior government and business leaders for their participation.

For more on international relationships, see page 29.

### ASIC funding and performance

In the May 2007 budget, the Government granted ASIC an extra \$116.7 million to upgrade our information technology, which will, when implemented, modernise our widely-used public database, as well as our internal systems.

The Australian National Audit Office audited our performance in receiving, and referring for investigation, statutory reports from insolvency practitioners of suspected breaches of the Corporations Act. ASIC accepted and has implemented changes in the way we record and report on these matters.

Key targets and measures of effectiveness in meeting the long term aims of the ASIC Act are reported on pages 9 and 15.



# Effectiveness

Key statistics about advancing the aims set out in our legislation\*

	2006–07	2005–06	2004–05
<b>Upholding the law uniformly, effectively and quickly</b>			
• % total litigation successful	97%	94%	94%
• % criminal litigation successful	88%	72%	87%
• % civil litigation successful†	98%	98%	95%
• Civil orders against people or companies	256	230	121
• Criminals jailed	21	17	27
• Additional disclosures achieved for investors	371	125	161
<b>Promoting confident and informed consumers</b>			
• Public complaints about misconduct assessed	10,681	12,075‡	10,752
• Visits to our consumer website FIDO	1,050,000	785,000	615,000
• People assisted through our call centre	707,000	770,000	784,000
• Recoveries, costs, compensation, fines and assets frozen (million)	\$140m	\$215m	\$123m
• Company fundraisings where ASIC achieved better disclosure for investors (billion)	\$17bn	\$10bn	\$6bn
<b>Making company information available quickly and efficiently</b>			
• Total requests (free and paid) from ASIC databases (million)	55m	45m	36m
• % company data lodged on time	95%	94%	94%
<b>Improving the performance of the financial system and the entities within it</b>			
• Applications granted that reduced costs to business	2,287	2,489	2,939
• Applications granted for innovative transactions or products	72	76	54
• New Australian financial services licences issued	369	428	401

\* Based on ASIC Act, see page 32.

† Civil litigation includes civil injunctions, freezing orders and civil penalty proceedings.

‡ Included 1,818 questionnaires ASIC sought from Westpoint investors.

**LEFT** In Brisbane, an ASIC team goes out to make inquiries about directors of a failed company, following up on important new information supplied by the company's liquidators through our assetless administration fund, see page 19.

# Financial summary

Using taxpayers' money for the outcome approved by Parliament

	2006–07	2005–06	2004–05
<b>Operating expenses</b>			
Total	\$256m	\$218m	\$208m
Annual change	+17%	+5%	+6%
<b>Fees and charges raised for the Commonwealth</b>			
Total	\$519m	\$543m	\$531m
Annual change	–4%	+2%	+16%

Parliament funds ASIC to achieve the outcome of 'a fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers'. To achieve this outcome we delivered four outputs, with enforcement activity representing 53% of expenses.

ASIC outputs*	This year	Last year	Change
1. Policy and guidance about laws administered by ASIC, page 24. Increased expenditure on regulatory policy activities, including our <i>Better Regulation</i> initiatives.	\$16m	\$14m	+14%
2. Comprehensive and accurate information on companies and corporate activity, page 27. Decreased expenses from efficiencies through increased use of electronic services, lower depreciation expense and reduced rent.	\$45m	\$50m	–10%
3. Compliance monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity, pages 20, 22 and 24. Allocation of additional resources, including enhancement of ASIC's surveillance capability.	\$60m	\$52m	+15%
4. Enforcement activity to give effect to the laws administered by ASIC, page 16. Higher expenses from undertaking increased enforcement actions involving a number of large enforcement matters.	\$135m	\$102m	+32%
<b>Total</b>	<b>\$256m</b>	<b>\$218m</b>	<b>+17%</b>

\* Internal service costs are apportioned to these outputs.

We raised \$519 million for the Commonwealth in fees and charges, down 4% reflecting a reduction in company registration fees approved by Parliament.

Our expenses of \$256 million increased, largely to sustain operations and to increase enforcement activities. Employee expenses, our largest outlay of \$148 million, increased 16%. Supplier expenses increased 21% to \$91 million, including increased litigation and forensic costs.

We received \$244 million in appropriations and \$13.8 million in revenue from the sale of services, interest and other sources, including \$2 million in recoveries for court and investigation costs. Our \$2 million surplus includes underspending against appropriations received for specific purposes. The unspent appropriation will be used in future financial periods to fund initiatives directly related to the purpose of the appropriation. See our financial statements on page 50.

Some \$15 million of our appropriation was levied by the Government on deposit-taking, superannuation and insurance organisations, used for the purposes shown on page 48.

## Financial outlook

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In the 2007–08 Federal Budget, the Treasurer announced additional funding of \$116.7 million over the next four years to upgrade our information technology infrastructure.

This funding will enable the implementation of an ASIC-wide content management system, and new electronic data warehouse capabilities to support analytics and business intelligence capabilities. It will also allow us to migrate our public information database, ASCOT, to more modern technologies.



# Our people: summary

## Helping our people perform to their best

	2006–07	2005–06	2004–05
<b>Staff (full-time equivalents)</b>	1,610	1,471	1,570
Annual change	+9%	–6%	+3%

Staff numbers increased 7%, mainly in enforcement, compliance, and consumer protection, largely reflecting additional funding received from Government for specific projects.

The majority of staff are engaged under the Public Service Act. ASIC is the 23<sup>rd</sup> biggest employer of Commonwealth public servants, out of 91 Australian Government departments and agencies.

We are committed to equal opportunity, and the percentage of women in senior executive positions rose to 47%, up from 44%.

### Performance management

To encourage our people to perform to their best, all employees are required to have performance agreements, with a focus on managing outputs, interpersonal and personal skills. Managers were required to give continuous feedback throughout the year. Upward feedback from employees was implemented to strengthen our leadership skills. Eligible employees received performance bonuses if they were appraised as outstanding (up to 15% bonus), fully effective (6%) or satisfactory (3%).

### Workforce planning, recruitment and selection

Under our workforce planning strategy, we completed two bulk recruitment campaigns, appointing 67 external and internal candidates in priority areas. We also recruited 25 graduates, who participated in a 12-month rotation and structured development program.

ASIC offered its employees a high degree of internal mobility, reporting 133 promotions, 181 higher duties and 145 transfers at level.

### Workplace safety

Incident reports increased 56% to 100, as employees were encouraged to become more aware of safety issues. However because these incidents generally involved minor injury, claims fell by 18%, and associated costs and lost time were also reduced.

### Increased workplace satisfaction

In our third national staff survey, we recorded a further improvement in satisfaction. People thought the best things about working for ASIC were fellow employees, challenging work and doing work that is important to the public. We scored favourably on work-life balance. The survey indicated that ASIC could continue to improve in areas such as leadership and more effective communication skills.

### Developing employees and managers

ASIC invested \$1.7 million in staff development, with a renewed emphasis on technical development, with 6,744 attendances at professional and technical development programs. We continued to develop our managers and leaders, including 662 attendances at management development workshops. Some 54 high potential people attended the Mt Eliza executive development program. We maintained our graduate recruitment program with 25 new graduates participating in a 12-month rotation program.

## Outlook

In the coming year, we will:

- emphasise skills and coaching programs for people managers
- negotiate and implement a new collective agreement and Australian workplace agreements for relevant employees.

More about our people on pages 30 and 42.

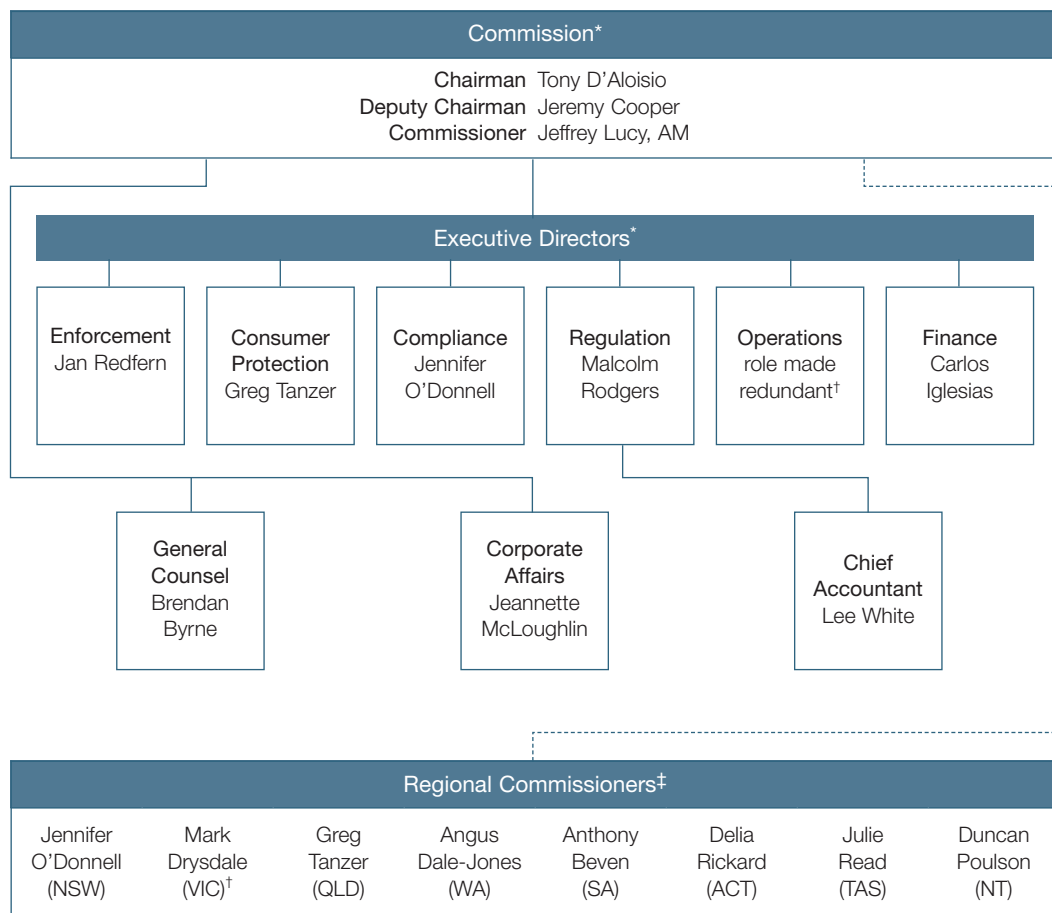
**LEFT** Public information services staff at Traralgon, Victoria implemented a new electronic system for registering charges over company property, see page 27.



# Organisation

## Changes to Commission membership

Incoming Commissioner Tony D'Aloisio was appointed Chairman on 13 May 2007, and former Chairman Jeffrey Lucy was appointed as a Commissioner based in Adelaide. The senior management team remained largely unchanged.



\* Commissioners' biographies and Executive Directors' details, pages 34 and 35.

† Position of Chief Operating Officer previously occupied by Mark Drysdale was made redundant when he accepted a voluntary redundancy on 30 March 2007. On that date the position of Regional Commissioner, Victoria, became vacant.

‡ Regional Commissioners' details, see page 41.

# Operational summary

Specialist teams contributed to national priorities and common goals

	Enforcing the law	Protecting consumers	Promoting compliance	Regulatory work	Public information services	Support services
<b>Employees*</b>	429 people	124 people†	204 people	144 people	269 people	357 people‡
<b>Role</b>	Investigate and act against misconduct	Protect consumers, deal with public complaints	Ensure companies and licensees comply with the law	Set ASIC policy on regulating markets and business	Company data, public registers and registration services	HR, IT, finance, risk, knowledge management, corporate services
<b>Results with key targets if applicable</b>	97% litigation successful (target 75%)	Finalised 81% of public complaints in 28 days (target 70%)	Completed 80% of document reviews in 30 days (target 90%)	Decided on 73% of applications for relief from the law within 21 business days (target 70%)	79% of company documents lodged electronically (target 70%)	Balanced revenue against expenses (on target)
	86% investigations completed in 12 months (target 85%)	Achieved compliance in 67% of cases (target 60%)	Better disclosure for investors in \$17 billion capital raisings	Decided on 65% of AFS licence applications within 28 days (target 70%)	Processed 92% of key documents within 48 hours (target 90%)	\$116.7 million over four years obtained to support our IT infrastructure
	21 jailed, banned 110 directors and 35 people from financial services	1 million visits to consumer website (up 34%, target 900,000)	Increased document reviews by 223%	Simplified range of regulatory documents	Supported 55 million searches of our databases	Energy use 11,281 MJ per person (target 10,000 MJ)
<b>More information</b>	Page 16	Page 20	Page 22	Page 24	Page 27	Page 30

\* Full-time equivalents, not including 37 staff supporting the Commission, General Counsel, Office of Corporate Affairs and 37 staff supporting the Superannuation Complaints Tribunal and other statutory bodies.

† Excludes 9 staff working in International Relations.

‡ Includes 28 full-time graduates working for other directorates.

# Enforcing the law

## Overview

429 staff investigated suspected breaches of the law:

- completed 51 criminal proceedings with 42 criminals convicted, including 21 jailed, in collaboration with Directors of Public Prosecutions
- completed 76 civil proceedings and obtained \$102 million in recoveries, costs, compensation and fines with more than \$38 million in assets frozen\*
- banned 110 people from managing corporations and 35 from offering financial services
- had 12 company auditors and liquidators disciplined for misconduct
- commenced 148 criminal, civil or administrative proceedings against 289 people or companies.

\* Not including additional assets frozen, associated with the Westpoint group including trust assets.

Key results	This year	Last year	Change
Criminals jailed	21	17	+24%
Civil orders against people or companies	256	230	+11%
Illegal schemes shut down or other action taken	105	102	+3%
People removed from directing companies	110*	44	+250%
People banned from financial services	35	27	+30%
Auditors and liquidators disciplined for misconduct	12	14	-16%

\* Resulting from additional funding: 81 bannings involved directors in failed and assetless companies, the balance of 29 disqualified for breaches of the law.

## Significant enforcement matters

We pursued a heavy workload of complex matters. Key developments included:

HIH Insurance	4 officers convicted, and jail terms imposed on Dominic Fodera, former Finance Director and Chief Financial Officer of HIH Insurance Limited; Frederick Lo, former company secretary of HIH Insurance Limited; and Antony Boulden, a former Financial Controller of the Corporate and Professional Insurance Division of FAI General Insurance Company Limited.  Former HIH Chairman, Geoffrey Cohen, committed for trial on criminal charges.
James Hardie	Commenced civil penalty proceedings in relation to James Hardie, including against a number of former and current directors and former executives.  We sought declarations that those directors and executives failed to act with requisite care and diligence, and intend to ask the court to consider banning individuals from managing corporations and consider imposing fines.

Table continues on next page

<b>Westpoint group</b>	<p>First criminal charges brought against Westpoint promoter, Neil Austin Burnard, relating to the raising of investor funds on behalf of Westpoint by his company Palentia Pty Ltd, formerly known as Kebbel (NSW) Pty Ltd.</p> <p>Wound up 18 companies in the group to stop further fundraising and secure available assets, froze assets of directors, officers and associates and restrained 5 from leaving the jurisdiction. (Liquidators' reports currently state net assets available for unsecured creditors, excluding recoveries range from \$75–104 million.)</p> <p>Investigation of Westpoint matters is continuing.</p>
<b>Citigroup</b>	Our proceedings against Citigroup were not successful. The court found that Citigroup had not engaged in insider trading and did not contravene the conflict of interest provisions of the law.
<b>NAB foreign exchange traders</b>	Jail terms were imposed on the remaining 2 of the 4 traders, Mathew David Bullen for 3 years and 8 months and Vincent Adam Ficara for 2 years and 4 months.
<b>One.Tel</b>	The court heard final submissions from ASIC and the other parties. Judgment is yet to be handed down.

## Financial markets

We pursued matters to lift and maintain the integrity of our financial markets:

<b>Insider trading</b>	<p>Former Sydney media relations consultant Margot Olive McKay convicted for insider trading in Aristocrat Leisure Limited shares ahead of major media announcements to the market. Sentenced to 15 months' periodic detention.</p> <p>[Text removed in accordance with in accordance with the spent convictions scheme in Part VIIC of the Crimes Act 1914]</p> <p>Civil penalty proceedings launched against Mining Projects Group Limited (formerly known as Yamarna Goldfields Limited) Executive Chairman, Bryan Frost, and Executive Director, Richard Revelins.</p>
<b>Continuous disclosure</b>	<p>Secured a \$32 million compensation fund for those investors affected by a failure of the Multiplex Group to meet its continuous disclosure obligations concerning a material change in profit on the Wembley National Stadium project in London.</p> <p>Listed general insurer, Promina Group Limited paid a \$100,000 fine after failing to inform the market that it had received a proposal from Suncorp-Metway Limited to acquire all the ordinary shares of Promina.</p> <p>Avantogen Ltd issued with an infringement notice and subsequently fined \$33,000 for failing to properly inform the market about the results of an anti-cancer vaccine clinical trial.</p>

## Consumer and investor protection

To protect consumers against misselling, we took criminal, civil and banning action against businesses and individuals.

We acted against 105 schemes or companies for illegally raising funds or running illegal investment schemes, involving around 2,550 investors and \$202 million.

<b>Paul Drakos, financial adviser</b>	Jailed for 8 years and 6 months for cheating clients of almost \$6 million.
<b>Mercorella investment scheme</b>	Giuseppe Mercorella jailed for 5 years for running an illegal investments scheme that raised about \$215 million from investors, and for dishonestly using his position as a company director.
<b>Primelife schemes</b>	Complex proceedings to regularise and retain value for investors in an illegally structured managed investment scheme that built retirement villages.
<b>Karl Suleman</b>	Jailed for 7 years and 4 months for making false statements and using false documents to induce investments in illegal schemes, following earlier court action closing down the schemes and banning Suleman.

Other consumer protection matters of note included:

<b>Superannuation</b>	<p>Criminal and civil action against promoters of illegal early release schemes. Promoter Rocco Ferrantino jailed for 2 years. Civil injunctions taken in relation to Teilis Financial Service and the Personalised Finance Solutions group of companies, and criminal charges laid against Karl Veljkovic, Barry Patrick, Shaun White, Nicole White and Damian Tolson. Criminal forfeiture orders for \$7.1 million against Andre Michalik following earlier conviction and jailing for 2 years.</p> <p>Obtained court orders that First Capital Financial Planning breached the law in giving advice given to teachers to switch their superannuation investments. First Capital obliged to correct its disclosures, and reimburse investors for any damage suffered.</p>
<b>Home equity access scheme</b>	Civil action taken against Money for Living, a scheme that persuaded 117 people to sell their homes under what MFL described as 'a unique system that allows people to access the equity in their home'; criminal charges laid against Garry Dennis O'Neill and Stephen Mark O'Neill.
<b>Mortgage broking</b>	Obtained court orders that a number of companies trading as 'Sample & Partners' engaged in misleading and deceptive conduct, and must notify past clients so that any borrower who wishes to make a claim for loss or damage can do so.

Corporations and insolvency

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

Assetless companies	<p>Extra government funding enabled ASIC to pay insolvency practitioners to investigate and report on the conduct of directors of failed companies, without assets, where we could take enforcement action against phoenix activity, insolvent trading or breaches of directors’ duties.</p> <p>Since launching the fund, we approved 191 applications to help us prepare for possible bannings of directors, and another 15 applications to help with more serious enforcement action.</p> <p>As a result of this funding, 46 directors were banned for a total of 154 years, with another 53 potential bannings in progress.</p>
Other bannings	<p>A further 29 directors of failed companies were banned to protect creditors and the public.</p>
Insolvency practitioners	<p>Sydney liquidator Ronald Dean-Wilcocks was suspended from practice for 12 months, for failing to maintain independence and avoid conflicts in the administration of companies.</p> <p>Melbourne liquidator Robert Edge was prohibited from practice for 10 years for repeated and numerous breaches of the law and ordered to repay remuneration of over \$430,000. (Any application by Edge for approval of his remuneration must be made to the court.)</p> <p>We also acted against misconduct by other liquidators of failed companies and 6 were disciplined.</p>
Auditors	<p>6 auditors were disciplined or had conditions imposed on their practice for misconduct.</p>

Financial services

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

Some 35 people were banned or otherwise excluded from the financial services industry, and 2 licences were cancelled: First Pacific Securities (Australia) Limited and Australian Business Insurance Advisers Pty Ltd.

Outlook

We will continue our investigation and enforcement work to further improve business integrity. We will also contribute to work on maintaining and improving confidence and integrity in Australia’s capital markets, including deterring insider trading and market manipulation.

# Protecting consumers

## Overview

124 staff:

- tackled issues affecting consumers through compliance, policy and educational work
- assessed 10,681 reports of crime and misconduct
- managed 1,399 applications about property of deregistered companies.

### Key results

	This year	Last year	Change
Visits to our consumer website FIDO	1,050,000	785,000	+34%
Consumer media releases issued	45	27	+66%
Reports of crime and misconduct assessed	10,681	12,075*	-12%

\* Included 1,818 Westpoint questionnaires ASIC sent out and received back from Westpoint investors.

### Helping consumers

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

We issued 45 media releases featuring financial tips and consumer warnings, including *Don't invest a cent in a fixed interest investment without using ASIC's 3-way test*, a strong reminder to consumers in August 2006 about the risks in high-yield fixed interest investments advertised in the press, radio and television. We issued several warnings to shareholders about below-market offers made by companies associated with David Tweed. Former Chairman Jeffrey Lucy, AM also had consumer articles published in popular newspapers.

Our consumer website FIDO received a record 1.05 million visits, up 34% and ahead of our target of 900,000. We launched new calculators for account-based pensions, an updated super calculator and a retirement planner that includes income both from superannuation and the age pension. In June 2007, FIDO was upgraded to make it easier to use and more appealing, and we began a fresh marketing strategy to increase visits, under the tagline 'Ask FIDO'. ASIC's Client Contact Centre staff gave FIDO skilled and sophisticated support, and we developed additional scripts and training to help them.

For members of the Australian Defence Force (ADF), we helped with the ADF's new financial education program, run by the ADF Financial Services Consumer Council.

We expanded our community outreach activities. These included joint activities with the banks and police to combat banking identity theft, with consumer protection agencies to fight scams, and with community associations and clubs to distribute ASIC's consumer publications, in English and other languages, more widely. We will also make staff speakers available for community groups, and staff training began in June 2007.

### Key consumer projects

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







## Key consumer projects

<b>Under-insurance</b>	Follow up research and public report on home insurance that examined how the industry has improved its practices since the release of an ASIC study into underinsurance in 2005. Recent steps by the industry significantly reduced the risk of consumers being underinsured and not having enough money to rebuild their homes.
<b>Aboriginal communities</b>	Stopped inappropriate door to door sales practices and obtained remedies for individual consumers. Increased staff outreach.
<b>Reverse mortgages</b>	Reviewed advertising and promotional material, and had five cases of misleading advertisements withdrawn or amended. Conducted a small-scale survey of reverse mortgage borrowers.
<b>Electronic funds transfer</b>	<p>To maintain consumer confidence in internet banking and other electronic payments, we began a major review of the EFT Code of Practice which aims to protect consumers using all forms of electronic funds transfers, including internet banking. Key issues are:</p> <ul style="list-style-type: none"> <li>• liability issues arising from the growth and growing sophistication of internet fraud</li> <li>• regulation of alternative payment facilities</li> <li>• coverage issues, including whether the protections of the Code should extend to small business as well as consumer account holders</li> <li>• obligations around mistaken payments</li> <li>• administrative arrangements associated with the EFT Code, including compliance monitoring and ASIC's role as Code administrator.</li> </ul>

## Following up reports of crime and misconduct

ASIC encouraged people to report suspected misconduct, and we dealt with 10,681 complaints, down 12%. We finalised 81% in 28 days, well ahead of our 70% target.

Resolved, mainly through getting information people needed or by getting companies or company officers to comply	39%
Investigated or conducted surveillance	21%
Identified no offences or lacked jurisdiction to act	15%
Analysed, assessed and recorded	25%
<b>Total</b>	<b>100%</b>

ASIC seeks to obtain compliance before initiating prosecution action. In direct response to complaints, we sent around 900 warning letters to company directors seeking their compliance with the law in lodging documents or giving information to company members.

ASIC successfully prosecuted 561 company officers for 1,133 contraventions, up on last year's figures of 502 company officers for 920 contraventions. Penalties included 1 community service order, 35 good behaviour bonds, 2 terms of imprisonment and 2 suspended sentences, total fines and costs of \$1.1 million. Overall we achieved a compliance rate of 67%.

Liquidators, administrators and receivers lodged 8,335\* reports. Of these, 6,862\* reported suspected misconduct, up 18%.

Analysed, assessed and recorded	82%
Reports triggering further inquiries	15%
Resolved	1%
Referred for compliance, investigation or surveillance	2%
<b>Total</b>	<b>100%</b>

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

## Outlook

We will continue our consumer protection and education work, and will contribute to the ASIC taskforce examining the risks for retail investors and helping investors become better equipped to protect their wealth.

# Promoting compliance

## Overview

204 staff:

- promoted compliance with the law by 4,625 licensed financial services businesses, their representatives and employees
- monitored Australia's capital markets to ensure that corporations, directors, advisers and market participants complied with the law.

Key results	This year	Last year	Change
Disclosure document reviews	925	286	+223%
Better disclosure achieved in disclosure documents	366	93	+293%
Compliance reviews of licensees completed	475	837*	-44%*
Financially troubled companies visited	568	536	+6%
Full inspections of audit firms	9	10	-10%

\* Included 362 reviews for the special 2005–06 'shadow shopping' of financial advisers.  
Excluding that project, reviews remained steady at 475 for this year and last.

### Better disclosure for investors

We received an additional \$29 million in the 2006–07 budget to increase our surveillance of the financial services sector and develop our presence in non-exchange based market trading.

As a result, we increased our review of disclosure documents to 925, up 223% from 286. We obtained a threefold increase in better disclosures. However, with around 11,000 disclosure documents in use, our reviews necessarily remained selective, targeted and limited in scope.

We obtained better disclosure in offer documents seeking a total of \$17 billion in capital. We also achieved an improvement in disclosures in product advertising.

To help issuers make their disclosure documents more readable and useful to investors and their advisers, we held discussions before a number of fundraising documents were lodged formally with us, as well as conducting post-lodgment work.

### Action on high-yield investments

High-yield fixed interest investments, involving higher risk activities like property development, were marketed to retail investors.

We obtained court orders against Fincorp Investments Limited requiring the company to offer certain investors all their money back, including accrued interest, and we also required Fincorp to correct its advertising. We also took action over other debenture issuers and mortgage fund operators, including Australian Capital Reserve Limited and Bridgecorp Finance Limited. In June 2007, a special team was formed on unrated, unlisted debt securities, see page 5.

### Continuous disclosure

We released a report on small and mid-cap listed mining companies that identified potential concerns about the effectiveness of disclosures by some of these companies to the market. We were concerned that some entities were making announcements for promotional purposes rather than as a means of informing investors, and that this could potentially result in investors being misled.

We successfully restrained Australian Mining Investments Limited (now CuDeco Limited) from putting resolutions to its shareholders to approve the issue of executive options. ASIC was concerned that shareholders were being asked to make a decision about the remuneration of directors on the basis of materially out of date information.

Our staff actively monitored companies that have an obligation to keep the market up to date about price-sensitive information, and were involved in action over Promina Group Limited, see page 17.

Over the counter products

Many financial products are bought and sold directly over the counter (OTC), and not traded on public exchanges. We recruited experienced market professionals and international secondees to increase our presence in OTC markets, and reviewed the operations of the major providers of contracts for difference (CFDs). These complex financial products have been increasingly used by, and marketed, to retail investors.

Monitoring licensees

We increased our engagement with licensees to build better understanding of their obligations, leading to better reporting of breaches and more timely attention to remedying problems.

From our increased surveillance funding, we also increased the depth of our surveillance work with large entities, particularly in the financial advice industry.

Licensees played an important role in telling us about individual misconduct that helped us collect evidence to ban unsuitable people from the industry. Matters of note included:

David Tweed	Permanently banned from providing financial services. (However, banning David Tweed does not prohibit him from making unsolicited offers to investors, because making an unsolicited offer to purchase shares on one's own behalf does not require an AFS licence.)
Sovereign Capital Limited, responsible entity for the Sovereign Prudential Fund	Licence cancelled because its activities fell well below the required standard. The fund lent money to property developers in New South Wales, Victoria and Queensland.

Top Quartile Management Ltd, the holder of an Australian financial services licence	Convicted and fined for failing to report to ASIC breaches of their legal obligations, both as an operator of investor-directed portfolio services and also as trustee of a number of superannuation funds.
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Deterring insolvent trading

To help companies deal promptly with financial difficulties, staff visited 568 potentially troubled companies, up 6%.

After these visits from our insolvency specialists, many companies restructured, refinanced, or introduced turnaround strategies with professional advice. This year, 75 companies appointed an insolvency practitioner after our visits.

Financial reporting and auditor compliance

As part of our surveillance of listed entities' accounts, we confirmed that listed entities had transitioned well to international accounting standards, and that there appeared to be no areas of systemic weakness.

We completed our second year of audit firm inspections, looking at auditor independence and audit quality. Among other issues, we focused on ensuring that the firms and individual auditors complied with recent changes to the law requiring rotation. We reported our findings publicly and we raised specific issues to be addressed with the relevant firms.

Outlook

By influencing those who participate in the capital markets and the financial services industry, we will:

- promote lawful behaviour and raise ethical standards
- lead a special team, including outside experts, to look at assessing current risks in unlisted and unrated debt securities and examine options for additional investor protection and information.

# Regulatory work

## Overview

144 staff, including the Chief Accountant's Office:

- regulated Australia's 17 licensed financial markets and 5 clearing and settlement facilities
- developed policy and researched emerging issues in the market
- considered applications for relief from 3,200 provisions of the law and granted 2,359
- licensed 369 new financial services businesses and registered 616 new managed investment schemes.

### Key results

	This year	Last year	Change
Commercial relief applications approved	2,359	2,565	-8%
Policies and guidance documents issued	21	22	-5%
Assessments of authorised financial markets completed	16	19*	-16%
Australian financial services licences issued	369	428	-14%
Managed investment schemes registered	616	499	+23%
Takeovers and schemes of arrangement assisted	103	98	+5%

\* Resulted largely from timing of assessments.

### Sustaining confidence in Australian markets

ASIC assessed the quality and effectiveness of supervisory structures and procedures of Australia's licensed markets and clearing and settlement facilities, and published 16 market assessment reports.

We oversaw the concluding stages of the merger between the Australian Stock Exchange Limited and SFE Corporation Ltd to form the Australian Securities Exchange (ASX). The ASX has established a separate subsidiary called ASX Markets Supervision Pty Ltd (ASXMS), responsible for carrying out the market supervision functions of ASX and SFE. We assessed the structure and resourcing of ASXMS and published our report in May 2007.

Several businesses approached ASIC about setting up alternative markets in Australia to compete with existing market providers, as already occurs in the US and Europe. We undertook research to inform the Treasury's long-term policy on regulating such markets in Australia, and consulted market operators and users.

The Minister granted 3 additional market licences to BGC Partners (Australia) Pty Ltd, Bloomberg Tradebook Australia Pty Ltd and London Metal Exchange Ltd. One market licence, held by ICAP Europe Ltd, was recently cancelled at the company's request.

### Towards better regulation

Through our *Better Regulation* project, launched in May 2006, and other initiatives, we progressed towards making the regulatory system ASIC administers easier to work with.



Our priorities	Progress to date
Greater transparency and accessibility for stakeholders about how ASIC works, makes decisions and approaches its legislative functions	<i>ASIC: guide to how we work</i> published, explaining ASIC's organisation and accountability. <i>Helping consumers and investors</i> , explaining the services ASIC offers for consumers and investors.
Engaging with business to identify and reduce areas where there is regulatory duplication or overlap	Joint ASIC-APRA working group worked on overlapping requirements imposed on entities reporting financial data, applying for relevant licences and audit reporting.  Reduced overlap between the law and ASX listing and market rules.  Streamlined our guidance and process for those applying for an Australian market licence or exemption.
Helping clients deal more efficiently with ASIC by streamlining and where possible reducing paperwork	We began consolidating and making our published guidance material more accessible. We consulted users about the format and clarity of our documents, and designed new templates. From July 2007 we have published fewer types of regulatory documents, in new and simpler formats.

As part of this initiative, we published how ASIC performed against our service charter targets, see page 44.

## Upholding standards

Through guides for companies and their advisers and through technical advice on accounting and legal issues, we contributed to upholding standards. Highlights of our work included:

<b>Takeovers</b>	Revised our takeovers, compulsory acquisitions and substantial holdings guidance, including new policy on joint bids.
<b>Corporate reconstructions</b>	Clarified that prospectus disclosure is required when members are invited to vote at a reconstruction or capital reduction meeting that includes an issue or transfer of securities.
<b>Superannuation</b>	Provided practical options for product disclosure information about investment strategies.
<b>Financial reporting</b>	Continued support for companies using international financial reporting standards (IFRS) through guidance and technical advice.  Led the development of IOSCO's international database of regulatory decisions on IFRS, to contribute to greater consistency in applying these standards.
<b>Audit</b>	New guidance on 'auditor rotation' to help auditors applying for relief from the audit rotation requirements in the Act.  Played a major role in the formation and activities of the International Forum of Independent Audit Regulators, which shares information between audit oversight regulators.

### Advising on law reform

We worked closely with Government and Treasury on a number of proposals for law reform, including proposals to:

- simplify the regulatory systems for companies and financial services
- reform corporate insolvency laws
- reduce regulatory overlap between Australia and New Zealand
- regulate discretionary mutual funds and direct offshore foreign insurers.

### Applications and advice

Strictly applying the law can create unintended regulatory burdens for companies, and so ASIC is authorised, in various situations, to grant relief from the law.

We received applications from companies for relief from 3,200 provisions of the law, and granted 2,359. Applications commonly concerned:

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

We also issued 28 class orders that gave relief to market participants generally, and made it easier for them to do business.

In takeovers, the value of the top 10 bids alone amounted to \$56 billion, although not all of these were successful. We were involved in the regulation of major transactions, including bids by Cemex for Rinker Ltd, the private equity bid for Qantas Ltd, and schemes of arrangement by Alinta Ltd and Rebel Ltd.

To make our decisions more transparent, we released four reports summarising our decisions on relief applications, and we will extend this service next year.

### Licensing and registration

We issued 369 new financial services licences, approved variations to 569 existing licences, and processed 1,622 notifications of changes in responsible officer.

## Outlook

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Our regulatory work will focus on contributing to:

- facilitating inward and outward investment in our capital markets
- determining what additional regulatory action ASIC can take in the areas of continuous disclosure, market manipulation and insider trading.

# Public information services

## Overview

269 staff maintained Australia's public database of 1.6 million companies and other public registers.

	This year	Last year	Change
Searches of ASIC databases (free and paid) (million)	55m	45m	+22%
Company data lodged on time	95%	94%	+1%
New companies registered	156,424	121,298	+29%
% documents lodged electronically	79%	71%	+11%
Telephone inquiries answered	707,000	770,000	-8%
Fees and charges raised for the Commonwealth (million)	\$519m	\$543m	-4%

### Electronic registration of charges over company property

Those who lend money to companies may secure their loans by taking a charge over company assets. The law requires certain charges over the property of the company to be registered with ASIC.

With additional government funding, we implemented a new electronic system to make registering charges more convenient. It began operating on 1 July 2007. The previous registration system was paper-based and created a significant paper burden for both lodgers and for ASIC.

The new system delivered an electronic registration and payment service for receiving and processing over 170,000 charge forms each year. The system also generates and issues correspondence, certificates and notices associated with charges.

### More use of online public information

People conducted 55 million free and paid searches of our databases, up 22%. The database includes all companies registered in Australia, licensed financial services businesses, and registers of people banned from managing corporations or from offering financial services. The public database also includes access to all business names registered by state and territory agencies.

The total number of companies registered in Australia increased 6% to 1,572,054 and the number of new companies formed increased by 35,126. From 1 July 2006, the fee for registering a company was reduced from \$800 to \$400.

### Maintaining company data

The way we manage our public database was independently assessed to check that we have proper processes to maintain quality. Our certification was renewed this year. To help our largest 200 registered agents who lodge most of the information on the database, we set up a new client manager program that helps agents get advice on complex matters, and raise issues and concerns.

To encourage companies to comply with the law and lodge timely, accurate data, we took 331 civil actions to require large proprietary companies, managed investment schemes, foreign companies, and unlisted public companies to lodge financial reports. We also acted to require companies to appoint at least the minimum number of officeholders and to remove bankrupt officeholders. We began deregistration of 25,469 companies that failed to pay their annual review fee.

We processed 92% of key documents (company registration, critical changes and creation of company charges) within 48 hours, above our target of 90%.





### Law reform

Public companies had been required to notify ASIC annually of their top 20 shareholders or members in each class of shares. In June 2007 the Corporations Regulations were amended to remove this obligation, reducing the future costs of compliance for public companies and our workload in processing the information.

### Helping people over the phone

Although our public information services have been increasingly delivered online, we supported them through a Client Contact Centre. We upgraded the centre's technology to deal more effectively with enquiries about companies, and to offer sophisticated support for FIDO, ASIC's consumer information website.

Overall, we assisted 707,000 people, down 8%, as more people used our online services.

### Outlook

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For small and medium businesses, ASIC is responsible for the legal 'infrastructure' that underpins the financial system and the wider economy. We will assess how ASIC can use new technology to improve existing services, add new services, reduce costs and to reduce 'red tape' in providing this infrastructure.

# International cooperation

## Overview

9 staff:

- managed a sharply increased number of requests for assistance from regulators worldwide
- coordinated ASIC's contribution to stronger international cooperation.

Key results	This year	Last year	Change
ASIC requested overseas assistance	218	146	+49%
Overseas regulators requested our assistance	775	549	+41%

International requests for enforcement and other assistance between regulators grew strongly, with a total of 993 inward and outward requests for international assistance. This reflected the continuing integration of financial markets.

### International assessment of Australia's financial sector

In December 2006 the International Monetary Fund released its Australian Financial System Stability Assessment. ASIC had participated in that assessment in the previous financial year.

The assessment found Australia's financial sector is mature and strong, having enjoyed sustained favourable macroeconomic conditions, with the current economic expansion in its fifteenth year. There is generally a high level of compliance with international standards and, in a number of areas, Australia is at the forefront of best practice.

### International cooperation

ASIC delivered a major program to strengthen the Indonesian capital markets supervisory agency, Bapepam, in enforcement and surveillance. An ASIC staff member worked at Bapepam-LK for 6 months to coordinate the program, and 8 Bapepam staff were seconded to ASIC. We delivered workshops on market surveillance, listed company disclosure, risk-assessment, intelligence profiling, and risk-based reviews of prospectuses. We also helped identify what may impede Bapepam's recognition as meeting key international standards for securities regulation.

ASIC continued to play a significant role in promoting international cooperation in audit oversight. Commissioner (then Chairman) Jeffrey Lucy, AM was appointed inaugural Chair of the International Forum of Independent Audit Regulators. We further developed our relationship with the Public Company Accounting Oversight Board (PCAOB) of the United States and other foreign audit regulators. We look forward to cooperating with the PCAOB in inspecting Australian auditors who fall within both their jurisdiction and ours.

We served as an active member of the International Organization of Securities Commissions (IOSCO) and participated in its Executive and Technical Committees.

## Outlook

We will contribute to better facilitating inward and outward investment in our capital markets, to ensure there are only the necessary minimum roadblocks to investment flows, commensurate with adequate protection.

# Supporting ASIC's business

## Overview

357\* staff delivered the following services to all ASIC offices:

- human resources
- finance
- risk management
- knowledge management
- information technology
- corporate services
- planning and project services

\* Includes 28 full-time graduates working for other directorates.

	This year	Last year	Change
ASIC staff employed (FTE average)	1,610	1,471	+9%
ASIC operating expenses	\$256m	\$218m	+17%

### Health and safety at work

ASIC's voluntary influenza vaccination program attracted almost 600 staff, up 36%. We appointed a national employee assistance provider to support staff facing work-related and personal problems that may interfere with their work.

Occupational health and safety (OHS) incidents reported rose 56% to 100, generally involving minor injury, but with 149 days lost. The cost of claims fell 68%, and the number of claims fell 18%. ASIC's insurance premium of 0.69% of annual payroll compared favourably with Comcare's standard agency rate of 1.55%.

Staff managed injury claims and coordinated safety at ASIC, including:

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

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

### Industrial and workplace relations

Negotiations opened with staff and union representatives on a new collective agreement to take effect from August 2007. About 55% of staff are employed under Australian Workplace Agreements, up from 51% last year.

Staff were represented through their union and staff representatives. ASIC also convened a National Consultative Committee about workplace issues. One industrial dispute occurred.

ASIC also maintained formal procedures for staff to raise grievances. We received 5 formal applications for review of management actions under the Public Service Act.

### Funding from government

In the 2007–08 Federal Budget, the Treasurer announced additional funding of \$116.7 million over the next four years to upgrade our information technology infrastructure.

This funding will enable the implementation of an ASIC-wide content management system, new electronic data warehouse capabilities to support analytics and business intelligence capabilities. It will also allow us to migrate our public information database, ASCOT, to modern technologies.

### Information technology reform

ASIC's public and private information systems play an important role in supporting the needs of businesses, financial markets and consumers.

In 2005, the government approved funding to commence phase one of a phased technology transition and upgrade. These activities have since been underway. In May 2007, the government approved the second phase of the technology transition and upgrade.

Taken together, this funding will enable ASIC to migrate systems through to the middle of 2010, and will include the replacement of ASIC's website and supporting systems to improve public access to, and usability of, ASIC information.

During these migration activities, ASIC has successfully maintained 99% system availability for all technology users.



## Maintaining efficient use of office accommodation

Leased property costs comprised our second largest single expense after salaries. We worked to ensure that all our accommodation is efficiently and effectively used and suitably fitted out:

- **Melbourne:** completed relocation of all staff within the central business district with a new modern fit out.
- **Darwin:** new office leased, staff moved in July 2007.
- **Adelaide:** negotiated new lease with an upgraded refit for 2007–08.
- **Sydney:** leased new premises to consolidate sites and accommodate extra staff.

## Financial management

To improve financial management, we developed database applications to streamline management of our enforcement external running costs, salaries and contractors' budgets and reporting and credit card acquittal compliance reporting. We also introduced scanning of all accounts payable invoices to enable queries to be responded to more promptly and to deliver better service.

## Transition to new accountability requirements

As reported last year, the Government decided that from 1 July 2007 ASIC will operate under the *Financial Management and Accountability Act 1997* (FMA Act), and not under both the *Commonwealth Authorities and Companies Act 1997* and the FMA Act.

We ensured that all the necessary changes to procurement, financial delegations, external reporting and other processes occurred smoothly to comply with the new requirements.

## Environmental performance

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

<b>Motor vehicles</b>	58% of fleet vehicles (an improvement of 6%) and 43% of our senior executive service fleet (up 2%) have a 'Green Vehicle Guide' rating of 10.5 or better. ASIC joined as a supporter of Green Fleet.
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<b>Energy consumption</b>	Use per person of 11,281 MJ, higher than target of 10,000 MJ. In our International Standard certified Sydney site, where more than 500 staff are located, use per person is 9408.74 MJ which is below target. In other sites there have been major refits in 4 locations contributing to higher usage.
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<b>Recycling</b>	The majority of sites recycle paper, aluminium, plastics, mobile phones and batteries.
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We maintained certification of ASIC's Sydney office to International Standard 14001:2004 *Environmental Management Systems*. In our accredited Sydney site:

- commingled recycling (glass, aluminium, plastic) increased by 200%
- paper recycling: increased by 44%.

We intend to have ASIC's new Melbourne office certified, and are making arrangements so that the certification process can begin later in 2007.

## Knowledge management

ASIC is committed to openly sharing the internal expertise of its staff. We have 8 active 'knowledge networks' of subject matter experts who naturally share a common set of issues and come together regularly. They met 59 times and heard from a number of guest speakers from external organisations.

Our knowledge networks cover technical areas such as managed investments; retail advice; superannuation; insurance; compliance; insolvency; derivatives; and information management. Network objectives are to:

- learn and share ideas with peers
- network internally and externally
- share information about issues and activities across directorates and geographic locations.

## Outlook

We will:

- lift operational effectiveness and service levels
- assess how ASIC can use new technology to improve existing services, add new services and reduce costs, especially for small and medium companies.

# Where ASIC fits in the regulatory picture

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

## Who does ASIC's work cover?

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

- 16.2 million people with a deposit account
- 10.9 million investing through superannuation or annuities
- 9.9 million with a major card (credit, debit or charge)
- 6.6 million with a home, personal or investment loan
- 5.1 million directly owning shares
- 1.9 million having invested through a financial adviser
- 1.1 million investing in managed funds.

\* Roy Morgan Research, 12 months to March 2007, people aged 14+. A change in methodology, affecting mainly cards and shares, mean that card ownership rose from a new base of 9.8 million in 2005–06, and shares fell from 5.4 million in 2005–06.

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### ASIC's statutory aims

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

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

### ASIC's legislation

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

### Other financial regulators

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

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

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

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

Who we regulate	How we regulate them
1.57 million companies	<ul style="list-style-type: none"> <li>• Register each company with a unique number, and record the number, name, directors and other information on a public register</li> <li>• Investigate and act against misconduct by company directors and officers</li> <li>• Grant or refuse requests for relief from the law</li> <li>• Receive prospectuses before money is raised</li> <li>• Uphold the law on financial reporting and company mergers and acquisitions</li> </ul>
5,731 company auditors, 689 registered liquidators	<ul style="list-style-type: none"> <li>• Register them before they start operating</li> <li>• Investigate and act against misconduct</li> </ul>
17 financial markets and 5 clearing and settlement facilities licensed by the Minister, including the Australian Securities Exchange (ASX)	<ul style="list-style-type: none"> <li>• Investigate and act against misconduct by listed companies, brokers and traders</li> <li>• Assess and report to the Minister on market supervisory arrangements</li> <li>• Advise the Minister about rule changes and whether to approve new markets</li> <li>• Monitor what ASX Ltd does as a listed company, and trading in its shares</li> </ul>
4,625 financial services businesses, regulated by ASIC including: <ul style="list-style-type: none"> <li>• fund managers</li> <li>• stockbrokers</li> <li>• financial advisers</li> <li>• insurance brokers</li> </ul>	<ul style="list-style-type: none"> <li>• License them before they start operating</li> <li>• Set standards for education, training and operations</li> <li>• Investigate and act against misconduct</li> <li>• Record their details and their authorised representatives on a public register</li> </ul>
4,680 managed investment schemes, registered by ASIC	<ul style="list-style-type: none"> <li>• Register them before they start operating</li> <li>• Investigate and act against misconduct</li> <li>• Record their details on a public register</li> </ul>
APRA-regulated financial services businesses including: <ul style="list-style-type: none"> <li>• banks and deposit-taking institutions</li> <li>• superannuation funds</li> <li>• life and general insurance companies</li> </ul>	<ul style="list-style-type: none"> <li>• Investigate and act against misconduct affecting consumers or misconduct as corporations</li> <li>• Approve consumer complaints resolution schemes</li> <li>• Report on how they comply with codes of practice</li> <li>• Cooperate with APRA</li> </ul>
Credit providers operating under state and territory laws	<ul style="list-style-type: none"> <li>• Investigate and act against misleading and deceptive conduct affecting consumers</li> <li>• Cooperate with state and territory regulators</li> </ul>

# Commissioners and senior management

## Members of the Commission directed ASIC's business



**Tony D'Aloisio**

BA, LLB (Hons)

Chairman from 13 May 2007 for a four-year term ending on 12 May 2011, previously Commissioner from 22 November 2006.

Tony D'Aloisio has extensive commercial and legal experience and has been involved in business policy and regulation, having held a number of company directorships and public positions.

Before joining ASIC, he was Managing Director and Chief Executive Officer at the Australian Stock Exchange from 2004 to 2006.

Previously, he was Chief Executive Partner at Mallesons Stephen Jaques between 1992 and 2004. Mr D'Aloisio joined Mallesons in 1977 as a commercial lawyer, with principal areas of practice in mergers and acquisitions, taxation and restrictive trade practices and international trade and investment. In addition to practising law, he was also involved in extensive assessment of overseas markets in Asia, USA and the UK.



**Jeremy Cooper**

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

Deputy Chairman from 12 July 2004 for a five-year term ending on 11 July 2009.

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



**Jeffrey Lucy, AM**

FCA, FAICD

Commissioner from 13 May 2007, for a two-year term ending on 12 May 2009. Previously, ASIC Chairman from May 2004 for a three-year term and Deputy Chair from February 2003.

He is also currently Chairman of the International Forum of Independent Audit Regulators.

Jeffrey Lucy is a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. He was made a Member of the Order of Australia for his contribution to the accounting profession and to the business sector as an adviser on corporate and taxation reform.



**Malcolm Rodgers**

BA (Hons), LLB

Acting Commissioner from 6 February 2006 until 22 November 2006.

Malcolm Rodgers is ASIC Executive Director, Regulation, appointed in 2005. See pages 24–26 for the scope and activities of his directorate. He previously served as an acting Commissioner in 2004. He has extensive experience in regulation.





ASIC Executive Directors (from left): Jan Redfern, Greg Tanzer, Jennifer O'Donnell, Malcolm Rodgers, Carlos Iglesias

### Senior management team

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

Executive Director	Directorate
Jan Redfern, a lawyer with extensive public and private sector experience, appointed 2003.	Enforcement
Malcolm Rodgers, see under Commissioners.	Regulation
Jennifer O'Donnell, extensive experience in compliance and regulation, appointed 2005. She is also NSW Regional Commissioner.	Compliance
Greg Tanzer, a lawyer with extensive regulatory experience, appointed in 2004. He is also Queensland Regional Commissioner.	Consumer Protection
Carlos Iglesias, an accountant with extensive experience in corporate management and information technology, appointed 2005.	Finance
Mark Drysdale (until 30 March 2007)	Chief Operating Officer



# ASIC governance

## A robust and effective system of accountability and control

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

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

### Role of Commissioners

Commissioners set priorities, appointed and evaluated the performance of Executive Directors, and approved delegations, budgets and business plans for each directorate.

Through day-to-day contact with executives and staff, and through written reports, Commissioners stayed informed about operational performance, finance, human resources and information technology. A Commissioner also participated in the Audit Committee, see page 46.

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

The Commission held 16 formal meetings.

Commissioner	Eligible to attend	Attended
Tony D'Aloisio	7	7
Jeremy Cooper	16	16
Jeffrey Lucy, AM	16	14
Malcolm Rodgers (acting)	8	8

Executive Directors and General Counsel also attended Commission meetings.

### ASIC management

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

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

### Commissioners' appointment and remuneration

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

The Treasurer may nominate as Commissioners only people who are qualified by knowledge or experience in business, administration of companies, financial markets, financial products and financial services, law, economics or accounting. The Remuneration Tribunal set Commissioners' remuneration, which is not linked to their performance, see also page 85.

### Reporting to Parliament

ASIC appeared before Committees of the Parliament of Australia on 9 occasions: Parliamentary Joint Committee on Corporations and Financial Services (6) and the Senate Economics Committee (3).

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

The Joint Committee on Corporations and Financial Services tabled statutory oversight reports on ASIC in August 2006 and March 2007. This important process enabled Parliamentarians to examine us about controversial issues and make recommendations. In addition, the Committee reported that it remained 'satisfied that ASIC continues to carry out its functions in accordance with the provisions of the corporations legislation'.

## Relationship with the responsible Minister

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

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

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

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

Until 30 June 2007, under section 137, the Minister approved contracts exceeding \$1 million and leases of land exceeding 10 years. Under section 28 of the *Commonwealth Authorities and Companies Act 1997*, the Minister may also notify Commissioners in writing of general policies of the government that will apply to ASIC. No such notifications were received this year.

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

## Change to financial governance

From 1 July 2007, ASIC came under a new financial governance arrangement, the *Financial Management and Accountability Act 1997*, which primarily governs our use of Commonwealth resources and our expenditure of public money.

## Relationship with states and territories

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

This Agreement requires the Commonwealth to consult the Ministerial Council for Corporations (MINCO), comprising Commonwealth, state and territory ministers, in appointing ASIC Commissioners, and requires ASIC to:

- consult the relevant state or territory minister in appointing Regional Commissioners
- maintain offices in each state capital and Darwin, and maintain certain minimum service levels in each state and the Northern Territory
- maintain regional liaison committees in each state and the Northern Territory to consult the local business community, and use our best endeavours to have a Commission member present at those meetings, see page 40.

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

# Managing risk

## High standards of risk management

ASIC received the highest rating of 8 out of 10 for its risk management practices following our insurer Comcover's risk management benchmarking in 2006. The Commission and Executive Directors regularly reviewed key risks and how we manage them.

### Staff ethics

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

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

Members of the Commission disclosed to the Minister all direct or indirect pecuniary interests in businesses, companies, or financial products regulated by ASIC.

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

### Complaints about staff

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

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

### Confidentiality, privacy and security

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

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

## Fraud control

In 2006 ASIC continued to implement the strategies outlined in the 2004–06 fraud control plan. In 2007 ASIC reassessed its fraud risks, and is finalising the 2007–09 fraud control plan. The plan outlines strategies and processes to avoid, detect, investigate and minimise the effects of fraud. We maintained reporting and data collection mechanisms that met our needs and complied with Commonwealth fraud control guidelines.

## Audit

The Commission's National Manager, Audit Assurance and Compliance, reported to the Commission's Audit Committee. The Audit Committee examined internal and external audit matters and risk assessment, see page 46.

The majority of Audit Committee members (including the Chair) are independent of ASIC. The Committee's charter conforms with Australian National Audit Office guidelines. The Commonwealth Auditor-General audited ASIC's financial statements, see page 50.

## Disclosure

To operate transparently, while protecting confidential information, ASIC:

- complied with the *Freedom of Information Act 1982*, see page 47
- met high standards of disclosure through its annual report, see inside front cover
- issued media releases, subject to written guidelines, about enforcement and regulatory issues, respecting the rights of people subject to investigation or administrative action
- updated information in publications and daily on our websites, see page inside back cover for web addresses.

## Insurance and indemnities

Consistently with the Commonwealth Authorities and Companies Act, ASIC:

- paid a premium of \$77,828.17 (excl. GST) for directors and officers' insurance which covered all current and former Commissioners and ASIC staff members for liabilities, including legal costs, incurred by them in the performance of their duties, and
- provided indemnities to Commissioners for liabilities, including legal costs, incurred by them in the course of their duties. (No claims for payments or payments were made under those indemnities.)

# Stakeholder consultation and regional involvement

## Involving our stakeholders in our work

### Consultation with business

Our Business Consultative Panel, comprising senior business representatives, met Commissioners in Sydney and Melbourne to help us identify emerging risks and trends in the market. The Panel's two Chapters, based in Sydney and Melbourne, were chaired by ASIC's Chairman and Deputy Chairman respectively.

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

To build support for compliance and good practice, we met regularly with about 20 peak industry and professional associations, and consulted other organisations, companies and professionals on proposed policies. We also maintained a Business Advisory Committee that gave us direct input and opinion on current and proposed activities affecting our public information database and company registry activities.

### Listening to consumers

We funded a 10 member Consumer Advisory Panel including consumer and investor advocates experienced in financial services and an independent chair. The Panel recommended research, alerted us to issues and commented on policy affecting investors and consumers.

Consumer Advisory Panel members
Jenni Mack (Chair) Carolyn Bond, Consumer Action Law Centre (Vic) Nick Coates, Choice David Coorey, Legal Aid NSW Elena Marchetti & Nicola Howell, Centre for Credit and Consumer Law Wendy Schilg, National Information Centre on Retirement Investments Leigh Shacklady, Tangentyere Council, Alice Springs David Tennant, CARE Financial Counselling Service (ACT) Stuart Wilson, Australian Shareholders' Association Ian Yates, Australian Council on the Ageing

We also consulted other investor and consumer organisations.



ASIC Regional Commissioners (from left): Delia Rickard, Anthony Beven, Duncan Poulson, Jennifer O'Donnell, Julie Read, Greg Tanzer.  
absent: Angus Dale-Jones

## Serving Australia's regions

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

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

Regional Commissioner	State or Territory	National role
Anthony Beven	South Australia	Adviser, Consumer Protection
Angus Dale-Jones	Western Australia	Director, Compliance
Mark Drysdale (until 30 March 2007)	Victoria	Chief Operating Officer
Jennifer O'Donnell	New South Wales	Executive Director, Compliance
Duncan Poulson	Northern Territory	Adviser, Consumer Protection
Julie Read	Tasmania	Director, Enforcement
Delia Rickard	Australian Capital Territory	Deputy Executive Director, Consumer Protection
Greg Tanzer	Queensland	Executive Director, Consumer Protection

## Keeping stakeholders informed

Senior ASIC staff gave numerous presentations to people from the financial services industry, markets, companies, government agencies and consumer groups about how to comply with the law and how the law protects users of financial markets, products and advice. We also issued regular e-newsletters for business and consumers, and published articles in professional magazines.

# ASIC's people

## Equal opportunity and merit

ASIC is an equal opportunity employer. Excluding contractors, consultants and agency temporary employees, women made up 47% of our senior executives, up from 44%, and comprised 56% of our employees.

Classification		This year	Last year
Commissioners	Female	0	1
	Male	3	2
Senior Executive Service and equivalents*	Female	24	21
	Male	27	27
Senior operational staff (EL1 and EL2)	Female	274	243
	Male	373	327
Operational and support (ASIC 1–4)	Female	573	532
	Male	277	255
Contractors, consultants and agency temporary employees		59	63
Total (average FTE over the year)		1,610	1,471

\* Numbers restated to include both Senior Executive Service staff under the Public Service Act and equivalents engaged under the ASIC Act.



Under a joint Women in Law Enforcement Strategy, 4 female ASIC staff joined a one-year mentoring program with mentors from other agencies, and 4 ASIC senior managers acted as mentors to women from other agencies.

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

We participated in the Commonwealth strategy to ensure access to recruitment, training and grievance procedures for people with disabilities, see page 48.



## Employee profile

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

Staff (average full-time equivalents)	This year	Last year
Operational and support (ASIC 1–4)	850	787
Senior operational staff (EL1 and EL2)	647	570
Senior Executive Service and equivalents*	51	48
Others (contractors, agency staff, consultants)	59	63
Commissioners	3	3
<b>Total (average FTE over the year)</b>	<b>1,610</b>	<b>1,471</b>

\* See previous note.

## Ongoing staff, consultants and contractors

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

Basis of employment	This year	Last year
Public Service Act, ongoing	1,311	1,171
Public Service Act, temporary, most often for peak company data processing	197	198
ASIC Act consultants, for essential specialist services including investigatory, legal, corporate regulatory and accounting functions	44	39
Contractors, mainly in information technology	55	60
Commissioners	3	3
<b>Total (average FTE over the year)</b>	<b>1,610</b>	<b>1,471</b>

ASIC contributed to superannuation through Australian Government and private sector schemes, and to State government schemes for those staff who transferred to ASIC in 1991. See also the financial statements on page 75.

## Location of staff

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

State or Territory	This year	Last year
Victoria	659	629
New South Wales	600	539
Queensland	139	130
Western Australia	115	87
South Australia	60	51
Australian Capital Territory	17	15
Tasmania	15	14
Northern Territory	5	6
<b>Total</b>	<b>1,610</b>	<b>1,471</b>



# ASIC Service Charter: how we performed

On 30 June 2006, as part of our commitment to better and more transparent regulation, we published the *ASIC Service Charter*, which explained what Australian companies, financial services business and professional service providers could expect in their dealings with us.

In the charter, we set out our goals for processing the most common applications and requests we receive, and committed to reporting on performance against those goals. Below are the results of our performance from 1 July 2006 to 30 June 2007.

The processes we use to measure these results have been independently verified. The verification process uncovered some issues with the way we count some of our results. We are working to improve those aspects of our systems for reporting performance against the charter. We are also working to improve the areas where we are not meeting our service targets.

We will continue to report against the service charter indicators each year.

Service	Service charter target	2006–07 performance
General phone queries	We aim to answer your telephone queries on the spot.	<b>94%</b> of calls answered on the spot (630,856 of 670,755) 6% (39,899 calls) referred to specialist staff
General email queries	We aim to reply within 2 business days to email queries sent to: - info.enquiries@asic.gov.au - infoline@asic.gov.au - onlineaccess@asic.gov.au	<b>80%</b> replied to in 2 business days (23,091 of 29,057)
General correspondence	We aim to acknowledge receipt of general correspondence within 14 days of receiving it, and give a full response within 28 days:	
	General correspondence to Public Information Program about our public database and registers, including fee waivers.	<b>95%</b> fully responded to within 28 days (52,796 of 55,734)
	Correspondence received by our Correspondence Control Unit.	<b>100%</b> acknowledged within 14 days (656 letters) <b>71%</b> responded to within 28 days (470 of 661 letters)
Registering a company	We aim to complete company incorporations within 1 business day of receiving a complete application.	<b>97%</b> (156,522 of 161,673) 87% of paper forms completed in 1 day (21,959 of 25,320) 99% of electronic forms completed in 1 day (134,563 of 136,353)
Updating company information and status	We aim to enter critical changes to company information in the corporate register within 2 business days.	<b>92%</b> (960,636 of 1,050,260) 72% of paper forms (214,296 of 299,908) entered in 2 business days 99.5% of electronic forms entered in 2 business days (746,340 of 750,352)

Service	Service charter target	2006–07 performance
Registering as an auditor	We aim to decide whether to register a person as an auditor within 28 days of receiving a complete application.	<b>100%</b> registered within 28 days (112 individual applications and 18 authorised audit companies)
Registering as a liquidator	We aim to decide whether to register a person as a liquidator or official liquidator within 28 days of receiving a complete application.	Liquidators: <b>83%</b> decided within 28 days (15 of 18 applications) Official liquidators: <b>83%</b> decided within 28 days (24 of 29 applications)
Registering a managed investment scheme	By law, we must register a managed investment scheme within 14 days of receiving an application (unless incomplete in various ways).	<b>95%</b> registered in 14 days (583 of 616)
Applying for or varying an AFS licence	We aim to decide whether to grant or vary an Australian financial services licence within 28 days of receiving a complete application.	Granting a licence: <b>65%</b> decided in 28 days (310 of 474 applications) Varying a licence: <b>71%</b> decided in 28 days (503 of 709 applications) This result is for all applications, including those where we did not initially receive all the information we needed to make a decision.
Applying for an Australian market licence	We aim to give the Minister our recommendation about simple applications to operate financial markets within 12 weeks of receiving an application.	<b>100%</b> to Minister within 12 weeks (3 applications)
Applying for relief	If you lodge an application for relief from the Corporations Act that does not raise new policy issues, we aim to give you an in principle decision within 21 days of receiving all necessary information and fees.	<b>74%</b> of in principle decisions made within 21 days (2278 of 3062 applications) This result is for all applications, including those where we did not initially receive all the information we needed to make a decision.
Complaints about misconduct by a company or an individual	If you make a complaint about the activities of a company or individual, we aim to respond to you within 28 days of receiving all relevant information.	<b>81%</b> finalised within 28 days (8,620 of 10,681)

# Audit Committee and audit, assurance and compliance services

## Involving our stakeholders in our work

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

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

The Committee reviewed ASIC's 2006–07 financial statements and provided a degree of assurance to the Commissioners before they signed those statements. The Committee contributed to developing ASIC's risk management framework.

The Committee met four times during the year:

Members	Eligible to attend	Meetings attended
Robert Savage, appointed March 2000, Chairman since January 2005	4	4
Robert Lynn, appointed March 2002, Deputy Chairman since January 2005	4	4
Byram Johnston, appointed January 2005	4	4
Jeffrey Lucy, AM, appointed February 2006, previously ASIC Chairman and now ASIC Commissioner	4	2*
Angus Dale-Jones, appointed May 2005, ASIC WA Regional Commissioner	4	4

\* Mr Lucy was represented by (then) Commissioner Tony D'Aloisio for one of the meetings he could not attend.

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

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

The National Manager Audit, Assurance and Compliance reports to the Audit Committee. In 2006–07, the Audit Committee arranged an independent review of the methodology and processes used by ASIC's internal audit.

The Committee sent a report to the Commission after each meeting. The Chairman of the Committee met separately with the ASIC Chairman on several occasions, and also with Executive Directors and other senior managers in charge of ASIC's business units.

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

**Robert R Savage**

Chairman, ASIC Audit Committee, July 2007

# Appendices

## In this section

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

## Publications

We published the following free publications:

- electronic newsletters: *ASIC News* (regulation and enforcement), *FIDO News* (financial tips and safety checks), *Financial Services Update*; printed newsletters: *InFocus* (company information)
- booklets: *Getting advice, Your Money, Super Choices, Book up, You can complain* (last 4 also in languages other than English)
- comics: *Moola Talk, To the Max!*
- annual report, occasional reports, papers and information sheets accessible through our website or Infoline.

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

## Freedom of Information Act 1982

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

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

- operational matters such as:
  - licence and professional registration applications
  - applications from businesses, correspondence, internal working papers, policy proposals and submissions
  - administrative, civil and criminal enforcement matters, including documents obtained under ASIC's compulsory powers
- law reform, including submissions and proposal papers
- correspondence with members of the public, government entities, Parliamentary committees, business entities and other bodies
- administration, including accommodation, accounts, expenditure, invoices, audit, human resources, recruitment and staff management, delegation and authorisation
- reference materials, including those contained in the library, handbooks, guidelines, manuals, policy statements, practice notes, media releases, information releases, booklets and annual reports
- other documents held as public database information (ASCOT).

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

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

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

## Commonwealth Disability Strategy Report

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

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

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

## Finance sector levy

Some \$15.3 million of our appropriation was levied by the government on deposit-taking, superannuation, retirement savings and insurance organisations. This table shows how that levy was used for consumer protection, regulatory and enforcement activities relating to the products and services these organisations offer, and for the Superannuation Complaints Tribunal.

Activity	This year \$m	Last year \$m
Consumer protection and policy formulation	6.7	6.0
Investigation and enforcement	16.5	9.4
ASIC sub-total	23.2	15.4
Superannuation Complaints Tribunal	3.7	3.4
Total	26.9	18.8

## Disclosure under the Environment Protection and Biodiversity Conservation Act

Section 516A of this Act requires us to report matters relevant to environmentally sustainable development (ESD):

- the only activities of the organisation relevant to ESD principles concern procurement of goods and services
- ASIC's administration of legislation is not related to ESD principles
- none of the outcomes specified for ASIC in an Appropriation Act have ESD implications
- the effect of our activities on the environment are set out on page 31
- the measures we have taken to minimise our environmental impact are also set out on page 31
- we review and increase the effectiveness of those measures through internal evaluation regimes, environmental auditing, benchmarks or targets, see page 31.

## Disclosure under Commonwealth Electoral Act

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

- polling organisations, advertising agencies and media advertising organisations: nil (excludes recruitment advertising)
- market research organisations: Roy Morgan \$90,722
- direct mail organisations: BluePrint Instant Printing Pty Ltd \$31,157 for *InFocus*, commemorative record certificates, brochures and guides; Chandler \$21,456 for printing and mailing *InFocus*; and Recall Information Management \$107,961 for the *Business Gazette*, Hermes Precisa Pty Ltd \$252,186 for printing and mailing company annual review statement packs and invoices.

## Disclosure under ASIC Act

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

# Six year summary

Business data	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Companies (total)	1,572,054	1,480,684	1,427,573	1,359,305	1,299,985	1,251,237
New companies registered	156,424	121,298	121,463	122,441	107,917	90,175
Authorised financial markets	17	15	13	8	4	4
Licensed clearing and settlement facilities	5	5	5	4	3	3
Australian financial services licensees	4,625	4,415	4,135	3,853	626	35
Registered company auditors	5,731	5,890	6,173	6,503	7,017	7,113
Registered liquidators	689	747	762	758	835	830
Registered managed investment schemes	4,680	4,310	4,093	3,765	3,487	3,265
Prospectuses lodged*	960	808	1,064	1,148	1,658	2,089
Product disclosure 'in use' notices†	10,066	12,480	12,708	7,563	579	n/a
Takeovers	65	60	68	67	55	67

## ASIC performance data

Criminals jailed	21	17	27	28	29	19
Fundraising where ASIC required additional disclosure (billion)	\$17bn	\$9.5bn	\$6bn	\$4bn	\$0.4bn	\$0.3bn
Recoveries, costs, compensation, fines or assets frozen (million)	\$140m	\$215m	\$123m	\$121m	\$123m	\$110m
% successful litigation	97%	94%	94%	93%	94%	92%
Litigation concluded	430	386	193	220	222	205
Reports of crime and misconduct	10,682	12,075	10,752	9,970	9,292	7,827
Total searches of ASIC databases (million)	55m	45m	36m	36m	27m	21m
% company data lodged on time	95%	94%	94%	92%	93%	93%
Fees and charges raised for the Commonwealth (million)	\$519m	\$543m	\$531m	\$457m	\$405m	\$379m
Staff (FTEs)	1,581	1,471	1,570	1,531	1,396	1,284

## Financial summary (\$m)

<i>Operations</i>						
Total operating expenses	255.7	217.5	208.0	196.2	172.6	159.9
Total operating revenue	257.8	224.7	208.0	191.3	172.5	154.3
<i>Financial position</i>						
Current assets	59.4	40.8	23.4	23.0	15.6	20.5
Non-current assets	49.8	37.4	34.8	35.2	33.3	27.7
Current liabilities	67.0	58.4	45.9	42.9	29.0	27.5
Non-current liabilities	20.8	13.2	11.2	20.2	20.9	21.6
Total equity	21.3	6.7	1.1	(4.9)	(1.0)	(0.9)

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

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

# Financial Statements

for the year ended 30 June 2007

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Treasurer**

### **Matters relating to the Electronic Presentation of the Audited Financial Statements**

This auditor's report relates to the financial statements published on the website of the Australian Securities and Investments Commission (the Commission) for the year ended 30 June 2007. The Commissioners are responsible for the integrity of the web site.

This auditor's report refers only to the primary statements, schedules and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to or from the audited financial statements.

If the users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial statements in the Commission's annual report.

### **Scope**

I have audited the accompanying financial statements of the Commission for the year ended 30 June 2007, which comprise: a statement by the Commissioners and Chief Financial Officer; income statement; balance sheet; statement of changes in equity; cash flow statement; schedules of commitments, contingencies and administered items; a summary of significant accounting policies; and other explanatory notes.

### ***The Responsibility of the Commission for the Financial Statements***

The members of the Commission are responsible for the preparation and fair presentation of the financial statements in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and the *Financial Management and Accountability Act 1997*, and Australian Accounting Standards (including Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on the financial statements based on my audit. My audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commission, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Independence***

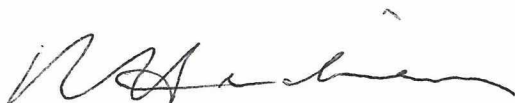
In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

### **Auditor's Opinion**

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

- (a) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and the *Financial Management and Accountability Act 1997*, and Australian Accounting Standards (including Australian Accounting Interpretations); and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Australian Securities and Investments Commission's financial position as at 30 June 2007 and of its financial performance and its cash flows for the year then ended.

Australian National Audit Office



P Hinchey  
Senior Director  
Delegate of the Auditor-General

Sydney  
20 July 2007

# Statement by the Commissioners and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2007 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and the *Financial Management and Accountability Act 1997*.

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

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



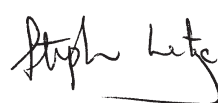
A. M. D'Aloisio  
Chairman  
20 July 2007



J. R. Cooper  
Deputy Chairman  
20 July 2007



J. J. Lucy  
Commissioner  
20 July 2007



S. D. Lutze  
Chief Financial Officer  
20 July 2007

# Income statement

for the year ended 30 June 2007

Income	Notes	2007 \$'000	2006 \$'000
<b>Revenue</b>			
Revenues from Government	3A, 28B	244,058	213,879
Sale of services	3B	4,144	3,432
Interest	3C	5,457	3,574
Royalties	3D	360	361
Other revenues	3E	3,833	3,435
<b>Total revenue</b>		<b>257,852</b>	<b>224,681</b>
<b>Gains</b>			
Net gains from disposal of assets	3F	2	-
Reversals of previous asset write-downs	3G	-	43
<b>Total gains</b>		<b>2</b>	<b>43</b>
<b>Total income</b>	35B	<b>257,854</b>	<b>224,724</b>
<b>Expenses</b>			
Employee benefits	4A	147,734	127,310
Suppliers	4B	90,787	74,672
Depreciation and amortisation	4C	16,568	15,041
Finance costs	4D	292	347
Write-down of assets	4E	329	68
Net losses from disposal of assets	4F	-	79
<b>Total expenses</b>		<b>255,710</b>	<b>217,517</b>
<b>Surplus<sup>1</sup></b>		<b>2,144</b>	<b>7,207</b>

1 The surplus in 2006-07 and in 2005-06 includes underspending against appropriations received for specific purposes. The unspent appropriation will be used in future financial periods to fund initiatives directly related to the purpose of the appropriation.

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

# Balance sheet

as at 30 June 2007

		2007 \$'000	2006 \$'000
<b>Assets</b>	<b>Notes</b>		
<b>Financial assets</b>			
Cash and cash equivalents	5A	51,660	35,573
Trade and other receivables	5B	5,703	2,924
<b>Total financial assets</b>		<b>57,363</b>	<b>38,497</b>
<b>Non-financial assets</b>			
Leasehold improvements	6A	26,851	10,634
Plant and equipment	6B	9,414	10,859
Intangibles	6C	13,505	15,940
Other non-financial assets	6D	2,010	2,314
<b>Total non-financial assets</b>		<b>51,780</b>	<b>39,747</b>
<b>Total assets</b>		<b>109,143</b>	<b>78,244</b>
<b>Liabilities</b>			
<b>Payables</b>			
Suppliers	7A	22,070	14,228
Other payables	7B	23,660	18,085
<b>Total payables</b>		<b>45,730</b>	<b>32,313</b>
<b>Interest bearing liabilities</b>			
Leases	8A	882	1,768
<b>Total interest bearing liabilities</b>		<b>882</b>	<b>1,768</b>
<b>Provisions</b>			
Employee provisions	9A	37,005	33,545
Other provisions	9B	4,218	3,913
<b>Total provisions</b>		<b>41,223</b>	<b>37,458</b>
<b>Total liabilities</b>		<b>87,835</b>	<b>71,539</b>
<b>Net assets</b>		<b>21,308</b>	<b>6,705</b>
<b>Equity</b>			
Contributed equity		20,596	14,082
Reserves		11,199	5,254
Accumulated deficit		(10,487)	(12,631)
<b>Total equity</b>		<b>21,308</b>	<b>6,705</b>
<b>Current assets</b>		<b>59,373</b>	<b>40,811</b>
<b>Non-current assets</b>		<b>49,770</b>	<b>37,433</b>
<b>Current liabilities</b>		<b>67,034</b>	<b>58,359</b>
<b>Non-current liabilities</b>		<b>20,801</b>	<b>13,180</b>

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

# Statement of changes in equity

## for the year ended 30 June 2007

	Notes	Accumulated deficit		Asset revaluation reserves		Contributed equity		Total equity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Opening balance		(12,631)	(15,600)	5,254	5,254	14,082	11,510	6,705	1,164
Adjustment for adoption of a new accounting policy <sup>1</sup>		-	(4,238)	-	-	-	-	-	(4,238)
Adjusted opening balance		(12,631)	(19,838)	5,254	5,254	14,082	11,510	6,705	(3,074)
Revaluation	6E	-	-	5,945	-	-	-	5,945	-
Surplus		2,144	7,207	-	-	-	-	2,144	7,207
<i>Contributions by owners</i>									
Appropriations - contributed equity	28A	-	-	-	-	6,514	2,572	6,514	2,572
Closing balance at 30 June		(10,487)	(12,631)	11,199	5,254	20,596	14,082	21,308	6,705

- 1 Adjustment to opening retained earnings as at 1 July 2005 relates to the adoption of a new accounting policy as a result of the transition to the Australian Equivalents to International Financial Reporting Standards. Under the new policy operating lease expenses (with the exception of contingent rentals) are recognised on a straight-line basis over the term of the lease even if the lease payments are not on that basis (AASB 117 *Leases*). As a result ASIC's supplier expenses for 2005-06 are \$0.493m lower than the amount reported in the 2005-06 financial statements.

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

# Cash flow statement

## for the year ended 30 June 2007

		2007 \$'000	2006 \$'000
<b>Operating Activities</b>			
Cash received			
Appropriations	28A, 28B	251,331	223,161
Services		5,295	4,547
Interest		5,542	3,469
Net GST received		9,495	9,328
Other cash received		3,700	4,131
<b>Total cash received</b>		<b>275,363</b>	<b>244,636</b>
Cash used			
Employees		144,274	126,144
Suppliers		89,676	80,730
Finance costs		93	180
Return of appropriation to Government	28A, 28B	9,500	1,216
<b>Total cash used</b>		<b>243,543</b>	<b>208,270</b>
<b>Net cash from operating activities</b>	10	<b>31,820</b>	<b>36,366</b>
<b>Investing Activities</b>			
Cash received			
Proceeds from sales of leasehold improvements, plant and equipment	3F, 4F	20	19
Cash used			
Purchase of leasehold improvements, plant and equipment	6E	21,381	16,007
<b>Net cash used by investing activities</b>		<b>(21,361)</b>	<b>(15,988)</b>
<b>Financing Activities</b>			
Cash received			
Appropriations - contributed equity	28A	6,514	2,572
Cash used			
Repayment of finance lease principal		886	2,284
<b>Net cash from financing activities</b>		<b>5,628</b>	<b>288</b>
<b>Net increase in cash held</b>		<b>16,087</b>	<b>20,666</b>
Cash at the beginning of the reporting period		35,573	14,907
<b>Cash at the end of the reporting period</b>	5A	<b>51,660</b>	<b>35,573</b>

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



# Schedule of commitments

## as at 30 June 2007

	2007 \$'000	2006 \$'000
<b>By Type</b>		
Commitments payable		
Capital commitments		
Plant and equipment <sup>1</sup>	1,982	1,090
<b>Total capital commitments</b>	<b>1,982</b>	<b>1,090</b>
Other commitments		
Operating leases <sup>2</sup>	144,124	152,850
Other commitments (goods and services)	2,374	219
<b>Total other commitments</b>	<b>146,498</b>	<b>153,069</b>
Less: commitments receivable		
GST recoverable on commitments	13,498	14,134
<b>Total commitments receivable</b>	<b>13,498</b>	<b>14,134</b>
<b>Net commitments by type</b>	<b>134,982</b>	<b>140,025</b>
<b>By Maturity</b>		
Commitments payable		
Capital commitments		
One year or less	1,982	1,090
<b>Total capital commitments</b>	<b>1,982</b>	<b>1,090</b>
Operating lease commitments		
One year or less	23,246	22,274
From one to five years	67,769	73,330
Over five years	53,109	57,246
<b>Total operating lease commitments</b>	<b>144,124</b>	<b>152,850</b>
Other commitments (goods and services)		
One year or less	2,374	219
<b>Total other commitments</b>	<b>2,374</b>	<b>219</b>
Less: commitments receivable		
GST recoverable on commitments		
One year or less	2,510	2,113
From one to five years	6,160	6,659
Over five years	4,828	5,362
<b>Total operating lease income</b>	<b>13,498</b>	<b>14,134</b>
<b>Net commitments by maturity</b>	<b>134,982</b>	<b>140,025</b>

1 Outstanding contractual payments for purchases of plant and equipment.

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

#### Nature of lease

Leases for office accommodation  
Motor vehicles - senior executives  
Office equipment

#### General description of leasing arrangement

Subject to fixed increases and annual or bi-annual rent reviews.  
No contingent rentals exist. There are no purchase options available to ASIC.  
No contingent rentals exist. There are no purchase options available to ASIC.

Commitments are GST inclusive where relevant.

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



# Schedule of contingencies

## as at 30 June 2007

<b>Contingent Assets</b>	<b>Note</b>	<b>2007 \$'000</b>	<b>2006 \$'000</b>
<b>Contingent receivables</b>			
Balance from previous period		1,457	-
New contingent receivables		4,263	1,457
Assets realised		(1,457)	-
<b>Total contingent assets</b>	<b>11</b>	<b>4,263</b>	<b>1,457</b>

### Contingent Liabilities

There were no quantifiable contingent liabilities as at 30 June 2007 (2006: nil).

Details of all contingent liabilities and assets, including those not included above because they cannot be quantified, are disclosed in Note 11: Contingent liabilities and assets.

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

## Schedule of administered items for the year ended 30 June 2007

		2007	2006
Income Administered on Behalf of Government	Notes	\$'000	\$'000
<b>Revenue</b>			
<b>Non-taxation revenue</b>			
Corporations Act fees and fines <sup>1</sup>	18A	519,030	542,686
Banking Act unclaimed monies <sup>2</sup>	18A	34,359	32,923
Life Insurance Act unclaimed monies <sup>3</sup>	18A	4,914	10,192
Interest	18B	155	67
<b>Total revenues administered on behalf of Government</b>		<b>558,458</b>	<b>585,868</b>
<b>Gains</b>			
Other gains	18C	31	29
<b>Total income administered on behalf of Government</b>		<b>558,489</b>	<b>585,897</b>
<b>Expenses Administered on Behalf of Government</b>			
Suppliers <sup>4</sup>	19A	1,563	73
Write-down of assets	19B	22,427	24,511
Other expenses	19C	26,259	23,250
<b>Total expenses administered on behalf of Government</b>	22	<b>50,249</b>	<b>47,834</b>
ASIC's functions in administering revenues and expenses on behalf of the Government are described below:			
1 ASIC collects and administers revenue under the <i>Corporations Act 2001</i> and prescribed fees set by the <i>Corporations (Fees) Regulations 2001</i> . The revenues from these fees are not available to ASIC and are remitted to the Consolidated Revenue Fund (CRF).			
2 ASIC has responsibility for the administration of unclaimed monies from banking and deposit taking institutions. Monies from banking and deposit taking institution accounts that remain inactive for seven years are transferred to the Commonwealth, and are deposited into the CRF.			
3 ASIC also has responsibility for the administration of unclaimed monies from life insurance institutions and friendly societies. Monies in respect of matured life insurance policies that have not been claimed for more than seven years are transferred to the Commonwealth and are deposited into the CRF.			
4 As part of its corporate insolvency law reform package to strengthen creditor protection and to deter misconduct by company officers, ASIC administers payments on behalf of the Government to registered insolvency practitioners. These payments are used to fund preliminary investigations of suspected breaches of directors' duties and fraudulent misconduct. The outcomes of the findings made by insolvency practitioners are reported to ASIC.			
Note: Intra Government transactions have been omitted.			

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

## Schedule of administered items as at 30 June 2007

		2007	2006
<b>Assets Administered on Behalf of Government</b>	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets (current)</b>			
Cash and cash equivalents	20A	2,506	2,962
Receivables	20B	76,877	73,255
<b>Total assets administered on behalf of Government</b>		<b>79,383</b>	<b>76,217</b>
<b>Liabilities Administered on Behalf of Government</b>			
<b>Payables (current)</b>			
Suppliers	21A	4,614	4,224
<b>Total liabilities administered on behalf of Government</b>		<b>4,614</b>	<b>4,224</b>
<b>Administered assets less administered liabilities</b>	22	<b>74,769</b>	<b>71,993</b>
Note: Intra government transactions have been omitted.			

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

# Schedule of administered items

## for the year ended 30 June 2007

		2007	2006
Administered Cash Flows	Notes	\$'000	\$'000
<b>Operating Activities</b>			
<b>Cash received</b>			
Corporations Act fees and charges		492,649	513,448
Banking Act unclaimed monies		34,359	32,923
Life Insurance Act unclaimed monies		4,914	10,192
Interest		155	67
Net GST received		84	-
<b>Total cash received</b>		<b>532,161</b>	<b>556,630</b>
<b>Cash used</b>			
Refunds paid to:			
Deposit taking institution account holders		18,639	20,492
Life insurance policy holders		7,589	2,728
Suppliers		925	80
<b>Total cash used</b>		<b>27,153</b>	<b>23,300</b>
<b>Net cash from operating activities</b>	23	<b>505,008</b>	<b>533,330</b>
<b>Net increase in cash held</b>		<b>505,008</b>	<b>533,330</b>
Cash at the beginning of the reporting period		2,962	4,479
Cash from Consolidated Revenue Fund for:			
- Appropriations	22	30,689	27,205
		<b>33,651</b>	<b>31,684</b>
Cash to Consolidated Revenue Fund for:			
- Corporations Act fees and charges		(496,493)	(518,937)
- Banking Act unclaimed monies		(34,359)	(32,923)
- Life Insurance Act unclaimed monies		(4,914)	(10,192)
- Return of 2005-06 unspent appropriation		(387)	-
	22	<b>(536,153)</b>	<b>(562,052)</b>
<b>Cash at end of reporting period</b>	20A	<b>2,506</b>	<b>2,962</b>

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

# Schedule of administered items as at 30 June 2007

## Administered Commitments

There were no administered commitments as at 30 June 2007 (2006: nil).

## Administered Contingent Assets

There were no administered contingent assets as at 30 June 2007 (2006: nil).

	2007 \$'000	2006 \$'000
<b>Administered Contingent Liabilities</b>		
<b>Payables - Refunds to claimants</b>		
Banking Act administration <sup>1</sup>	35,498	35,239
Life Insurance Act unclaimed monies <sup>2</sup>	3,391	8,277
	<b>38,889</b>	<b>43,516</b>

### 1 Banking Act administration

Monies from bank and deposit taking institution accounts inactive for seven or more years are transferred to the Commonwealth and are deposited into the CRF. The contingent liability disclosed above represents an estimate of future claims for repayment, where the validity of the claim has been established by the relevant institution.

The estimate of future claims for repayment at 30 June 2007 was determined using a methodology provided by an independent actuary (Towers Perrin (Australia) Pty Ltd).

### 2 Life Insurance Act administration

Monies in respect of matured life insurance policies that have not been claimed within seven years are transferred to the Commonwealth from life insurance companies and friendly societies, and are deposited into the CRF. The contingent liability disclosed above represents an estimate of the future claims for repayment, where the validity of the claim has been established by the relevant institution.

The estimate of future claims for repayment at 30 June 2007 was determined using a methodology provided by an independent actuary (Towers Perrin (Australia) Pty Ltd).

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

# Notes to and forming part of the financial statements for the year ended 30 June 2007

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# Notes to and forming part of the financial statements for the year ended 30 June 2007

## Note 1: Summary of significant accounting policies

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

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

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

ASIC also collects and administers revenue under the *Corporations Act 2001* and prescribed fees set by the *Corporations (Fees) Regulations 2001* (Note 1.5 refers).

ASIC is subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act) by virtue of section 7 of that Act, and is also subject to the *Financial Management and Accountability Act 1997* (FMA Act) in respect of the public monies that it manages on behalf of Government, pursuant to Schedule 1 Part 2 of the *Financial Management and Accountability Regulations 1997* (refer also to Note 2: Events after the balance sheet date).

### 1.2 Basis of preparation of the financial report

The financial statements and notes are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and are a general purpose financial report.

The 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.

The financial statements and notes have been prepared in accordance with:

- Finance Minister's Orders (or FMOs) for reporting periods ending on or after 1 July 2006; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value. Except where stated, no allowance is

made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to ASIC and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an accounting standard. Liabilities and assets that are not recognised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than unquantifiable contingencies, which are reported at Note 11).

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Income Statement when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets, liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at Note 1.22.

### 1.3 Significant accounting judgements and estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

### 1.4 Statement of compliance

Australian Accounting Standards require a statement of compliance with International Financial Reporting Standards (IFRSs) to be made where the financial report complies with these standards. Some Australian Equivalents to IFRSs and other Australian Accounting Standards contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

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

ASIC is a not-for-profit entity and has applied these requirements, so while this financial report complies with Australian Accounting Standards including Australian Equivalents to International Financial Reporting Standards (AEIFRS) it cannot make this statement.

### **Adoption of new Australian Accounting Standard requirements**

During the current reporting period no accounting standard has been adopted earlier than the effective date.

The following amendments, revised standards or interpretations have become effective but have had no financial impact or do not apply to the operations of ASIC.

#### **Amendments:**

- 2005-1 Amendments to Australian Accounting Standards [AASBs 1, 101, 124]
- 2005-6 Amendments to Australian Accounting Standards [AASB 3]
- 2006-1 Amendments to Australian Accounting Standards [AASB 121]
- 2006-3 Amendments to Australian Accounting Standards [AASB 1045]

#### **Interpretations:**

- UIG 4 Determining whether an arrangement contains a lease
- UIG 5 Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
- UIG 7 Applying the restatement approach under AASB 129 financial reporting in hyperinflationary economies
- UIG 8 Scope of AASB 2
- UIG 9 Reassessment of embedded derivatives

UIG 4 and UIG 9 might have impacts in future periods, subject to existing contracts being renegotiated.

### **Future Australian Accounting Standard requirements**

The following new standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards Board but are effective for future reporting periods. It is estimated that there will be no material financial impact on future financial statements of adopting these pronouncements when effective.

#### **Financial instrument disclosure**

AASB 7 *Financial instruments: disclosures* is effective for reporting periods beginning on or after 1 January 2007 (the 2007-08 financial year) and amends the disclosure requirements for financial instruments. In general AASB 7 requires greater disclosure than is presently required. Associated with the introduction of AASB 7 a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]. These changes have no financial impact but will effect the disclosure presented in future financial reports.

#### **Other**

The following standards and interpretations have been issued but are not applicable to the operations of ASIC:

- AASB 1049 *Financial reporting of general Government sectors by Governments*
- UIG 10 Interim financial reporting and impairment

### **1.5 Reporting of administered activities**

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



# Notes to and forming part of the financial statements for the year ended 30 June 2007

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

Administered revenues, expenses, assets, liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for ASIC items, except where stated in Note 1.22.

Administered items are distinguished by shading in these financial statements.

### 1.6 Revenue

#### *Resources received free of charge*

Resources received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

#### *Other types of revenue*

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

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

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is no longer probable.

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial instruments: recognition and measurement*.

#### *Revenues from Government*

Amounts appropriated for departmental outputs appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

### 1.7 Gains

#### *Net gains from disposal of assets*

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

### 1.8 Transactions with the Government as owner

#### *Equity injections*

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in contributed equity in that year.

### 1.9 Employee benefits

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

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

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

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

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

### **Leave**

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

The leave liabilities are calculated on the basis of employees' remuneration, including ASIC's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

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

### **Separation and redundancy**

Provision is made for separation and redundancy benefit payments. ASIC recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

### **Superannuation**

The majority of employees of ASIC are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS Accumulation Plan (PSSap).

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

There is a small number of employees covered under state government and private superannuation schemes. The majority of employees employed in the state government superannuation scheme were

originally employed by the various state governments and were transferred to ASIC at its inception in 1989.

ASIC makes employer contributions to the Australian Government and the various state superannuation schemes at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of ASIC's employees. ASIC accounts for the contributions as if they were contributions to defined contribution plans.

### **1.10 Leases**

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are depreciated over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

In 2005-06 expenditure on operating leases with fixed rate increases was recognised on a basis that reflected the pattern of lease payments over the term of the lease. This treatment was inconsistent with AASB 117 *Leases* which requires operating lease payments to be expensed on a straight-line basis which is representative of the pattern of benefits derived from the lease.

The 2005-06 comparatives have been amended in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

### **1.11 Finance costs**

All finance costs are expensed as incurred.

# Notes to and forming part of the financial statements for the year ended 30 June 2007

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

### 1.12 Cash and cash equivalents

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount. Cash which is not immediately required by ASIC is invested with an approved bank, as defined under section 5 of the CAC Act.

Cash equivalents are bank instruments readily convertible to cash (for example negotiable certificates of deposit).

### 1.13 Financial risk management

ASIC's activities expose it to normal commercial financial risk. As a result of the nature of ASIC's business, and ASIC's internal and Australian Government policies dealing with the management of financial risk, ASIC's exposure to market, credit, liquidity and cash flow and interest rate risk is considered to be low.

### 1.14 Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the asset is transferred to another entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred.

Financial liabilities are derecognised when the obligation under the contract is discharged, cancelled or expires.

### 1.15 Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

#### *Financial assets held at amortised cost*

If there is objective evidence that an impairment loss has been incurred for receivables, or for 'held to maturity investments' held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account and the loss is recognised in the Income Statement.

### 1.16 Suppliers and other payables

Suppliers and other payables are recognised at their nominal amounts. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

### 1.17 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Contingent assets are reported when settlement is probable, and contingent liabilities are recognised when settlement is greater than remote.

### 1.18 Acquisition of assets

Assets are recorded at cost on acquisition providing the asset recognition threshold is met (Note 1.19 refers). The exception to this rule is assets acquired at no cost, or for nominal consideration, which are initially recognised as assets and revenues at their fair value at the date of acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

### 1.19 Leasehold improvements, plant and equipment

#### *Asset recognition threshold*

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

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. 'Make good' provisions in property leases are accounted for on this basis. These costs are included in the value of ASIC's leasehold improvements with a corresponding restoration provision taken up.

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

### Revaluations

Fair values for each class of asset are determined as shown below:

Asset class	Fair value measured at
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price

Following initial recognition at cost, leasehold improvements, plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

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

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

### Depreciation

Depreciable leasehold improvements, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to ASIC. Computer equipment is depreciated using the declining balance method while all other plant and equipment and leasehold improvements are depreciated using the straight-line method.

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

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

	2007	2006
Leasehold improvements	Lease term	Lease term
Computer equipment	1 to 5 years	1 to 5 years
Plant and equipment (owned)	2 to 10 years	2 to 10 years
Plant and equipment (leased)	2 to 10 years	2 to 10 years

### Impairment

All assets were assessed for impairment at 30 June 2007. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if ASIC were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

### 1.20 Intangibles

ASIC's intangibles comprise internally developed software for internal use. These assets are carried at cost.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of ASIC's software is 2 to 5 years (2006: 4 years).

All software assets were assessed for indications of impairment as at 30 June 2007.

### 1.21 Taxation

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

Revenues, expenses, assets and liabilities are recognised net of GST except for receivables and payables and where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

# Notes to and forming part of the financial statements for the year ended 30 June 2007

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

### 1.22 Reporting of administered activities

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

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

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

Revenue collected by ASIC for use by the Government rather than ASIC is administered revenue. Collections are transferred to the CRF maintained by the Department of Finance and Administration. Conversely, cash is drawn from the CRF to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the CRF are adjustments to the administered cash held by ASIC on behalf of the Government and reported as such in the Statement of Cash Flows in the Schedule of Administered Items and in the administered reconciliation table in Note 22. Thus the Schedule of Administered Items largely reflects the Government's transactions, through ASIC, with parties outside the Government.

#### *Revenue*

All administered revenues are revenues relating to the course of ordinary activities performed by ASIC on behalf of the Australian Government.

Administered revenue is generated from annual review fees, other fees and search products prescribed under the *Corporations (Fees) Regulations 2001*. Administered fee revenue is recognised on an accruals basis when:

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

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

#### *Receivables*

Administered revenue is recognised at its nominal amount due less any allowance for bad or doubtful debts. In 2005-06 ASIC's administered receivables were disclosed in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. In 2006-07, following a determination by the Finance Minister that statutory receivables are not financial instruments, ASIC has assessed administered receivables for impairment under AASB 136 *Impairment of Assets*. This change has no financial impact on the Income Statement for the year ended 30 June 2007 or the Balance Sheet as at 30 June 2007.

Provisions are raised against receivables for any doubtful debts and any probable credit amendments, and are based on a review of outstanding debts at year end. This includes an examination of individual large debts and disputed amounts with reference to historic collection patterns.

Doubtful debts expense is the result of estimation techniques to determine an estimate of current Corporations Act debts which are unlikely to be collected in future. Large debt amounts are individually reviewed while the provision of the remaining debts is estimated using sampling methodologies.

Administered receivables that are irrecoverable at law or are uneconomic to pursue are written off.

#### *Unclaimed monies - administered items*

##### *Banking Act administration*

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

In accordance with the *Banking Act 1959* monies from bank and deposit taking institution accounts that are inactive for seven or more years are transferred to the Commonwealth, and are deposited into the CRF.

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

### *Life Insurance Act administration*

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

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

#### 1.23 Expenditure of boards and tribunal

Pursuant to Parts 11 and 12 of the *Australian Securities and Investments Commission Act 2001* and the *Superannuation (Resolution of Complaints) Act 1993* ASIC is required to support various boards and a tribunal to promote activities that enable ASIC to attain its aims. The boards are the Australian Accounting Standards Board and the Companies Auditors and Liquidators Disciplinary Board. The tribunal is the Superannuation Complaints Tribunal. Employee and administrative expenditure incurred on behalf of these boards and the tribunal are included in the Income Statement of ASIC (Note 30 refers).

#### 1.24 Changes in accounting policy

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

#### 1.25 Reporting by outcomes

ASIC's financial result reported in the context of the Government's outcomes and outputs framework is disclosed in Note 35.

Any intra government costs included in arriving at the amount shown as 'net contribution of outcome' are eliminated in calculating the actual budget outcome for the Government overall (Note 35 refers).

#### 1.26 Comparative figures

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

#### 1.27 Rounding

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

- remuneration of Commissioners;
- remuneration of executive officers;
- remuneration of auditors; and
- administered fee write-offs and waivers.

#### 1.28 Insurance

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

## Note 2: Events after the balance sheet date

The *Governance Review Implementation (Treasury Portfolio Agencies) Act 2007* received Royal Assent on 5 June 2007. Under that Act, from 1 July 2007 ASIC is no longer subject to the *Commonwealth Authorities and Companies Act 1997*, and has become a prescribed agency under the *Financial Management and Accountability Act 1997*.

On 3 July 2007 ASIC returned \$45.2m to the Consolidated Revenue Fund (CRF) in accordance with the Government requirements specified in *Finance Circular 2003/07: Agency Banking Framework Guidance Manual*. These funds are available to ASIC on demand.

There is no material impact on the disclosure requirements of the 2006-07 financial statements as a consequence of this change.

# Notes to and forming part of the financial statements for the year ended 30 June 2007

## Note 3: Income

Revenue	Note	2007 \$'000	2006 \$'000
<b>Note 3A: Revenues from Government</b>			
Appropriation:			
Departmental outputs		227,070	213,879
Departmental Special Account	28A	16,988	-
<b>Total revenues from Government</b>		<b>244,058</b>	<b>213,879</b>
<b>Note 3B: Sale of services</b>			
Sale of services to related entities		1,344	959
Sale of services to external entities		2,800	2,473
<b>Total sale of services</b>		<b>4,144</b>	<b>3,432</b>
<b>Note 3C: Interest</b>			
Deposits		5,457	3,574
<b>Total interest</b>		<b>5,457</b>	<b>3,574</b>
<b>Note 3D: Royalties</b>			
ASIC publications		360	361
<b>Total royalties</b>		<b>360</b>	<b>361</b>
<b>Note 3E: Other revenue</b>			
Cost recoveries <sup>1</sup>		2,193	1,280
Receipt from the Companies Unclaimed Monies Account <sup>2</sup>		-	690
Receipt from the Department of Treasury <sup>3</sup>		-	670
Professional and witness fees		220	269
Recovery of property rental & outgoings relating to prior year		-	179
AusAID revenue <sup>4</sup>		948	131
Insurance recoveries		91	-
Miscellaneous		381	216
<b>Total other revenue</b>		<b>3,833</b>	<b>3,435</b>

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

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

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

4 Amount received by ASIC in respect of its participation in AusAID projects to enhance the capability of the Indonesian securities regulator Bapepam.

### Note 3: Income (continued)

	2007 \$'000	2006 \$'000
<b>Gains</b>		
<b>Note 3F: Net gains from disposal of assets</b>		
Plant and equipment:		
Proceeds from sale	20	-
Less: carrying value of assets sold	18	-
<b>Net gain from sale of assets</b>	<b>2</b>	<b>-</b>
<b>Note 3G: Reversals of previous asset write-downs</b>		
Bad and doubtful debts provision	-	43
<b>Total reversals of previous asset write-downs</b>	<b>-</b>	<b>43</b>

### Note 4: Expenses

<b>Note 4A: Employee benefits</b>		
Salaries	116,563	100,164
Superannuation <sup>1</sup>	18,004	14,900
Leave and other entitlements	12,842	11,306
Separation and redundancies <sup>2</sup>	325	940
<b>Total employee benefits</b>	<b>147,734</b>	<b>127,310</b>

- Contributions to superannuation schemes are at rates calculated to cover existing and emerging obligations. The employer contribution rate for the Commonwealth Superannuation Scheme was 28.4% (2006: 24.6%), the Public Sector Superannuation Scheme was 13.3% (2006: 11.9%), the PSS Accumulation Scheme was 15.4% (2006: 15.4%), and the superannuation productivity benefit was 2.0% to 3.0% (2006: 2.0% to 3.0%).
- Redundancy expenses are calculated on the basis of two weeks pay for every year of service by employees made redundant with a minimum of four weeks and the maximum is 48 weeks.



# Notes to and forming part of the financial statements for the year ended 30 June 2007

## Note 4: Expenses (continued)

	2007 \$'000	2006 \$'000
<b>Note 4B: Suppliers</b>		
Goods from related entities	8	25
Goods from external entities	3,231	3,242
Services from related entities	6,989	5,808
Services from external entities	63,218	47,155
Operating lease rentals:		
Minimum lease payments	16,045	16,728
Workers compensation premiums	838	1,316
Fringe benefits tax	458	398
<b>Total suppliers expenses<sup>1,2</sup></b>	<b>90,787</b>	<b>74,672</b>

- 1 In 2006-07 ASIC changed the basis for allocating supplier expenses amongst these categories and added the fringe benefits tax and workers compensation premiums categories. The 2005-06 comparatives have been restated to show the expenses on a consistent basis.
- 2 Suppliers expenses for 2005-06 are \$0.493m lower than the amount reported in the 2005-06 financial statements. The decrease relates to the adoption of a new accounting policy as a result of the transition to the Australian Equivalents to International Financial Reporting Standards. Under the new policy operating lease expenses (with the exception of contingent rentals) are recognised on a straight-line basis over the term of the lease even if the lease payments are not on that basis (AASB 117 Leases).

## Note 4C: Depreciation and amortisation

<b>Depreciation:</b>		
Leasehold improvements	4,539	3,745
Plant and equipment	4,753	4,142
<b>Total depreciation</b>	<b>9,292</b>	<b>7,887</b>
<b>Amortisation:</b>		
Assets held under finance leases	305	876
Intangibles:		
Computer software	6,971	6,278
<b>Total amortisation</b>	<b>7,276</b>	<b>7,154</b>
<b>Total depreciation and amortisation</b>	<b>16,568</b>	<b>15,041</b>

## Note 4D: Finance costs

Finance leases	93	183
Unwinding of restoration provision discount	199	164
<b>Total finance costs</b>	<b>292</b>	<b>347</b>

## Note 4E: Write-down of assets

Bad and doubtful debts expense	135	-
Write-off of leasehold improvements, plant and equipment	194	68
<b>Total write-down of assets</b>	<b>329</b>	<b>68</b>

#### Note 4: Expenses (continued)

	Notes	2007 \$'000	2006 \$'000
<b>Note 4F: Net losses from disposal of assets</b>			
Leasehold improvements, plant and equipment			
Carrying value of assets sold		-	98
Less: proceeds from sale		-	19
<b>Total net losses from disposal of assets</b>		<b>-</b>	<b>79</b>

#### Note 5: Financial assets

##### Note 5A: Cash and cash equivalents

Cash on hand or on deposit		51,660	9,344
Deposits		-	26,229
<b>Total cash and cash equivalents</b>	17	<b>51,660</b>	<b>35,573</b>

##### Note 5B: Trade and other receivables

Goods and services		3,424	1,063
Appropriations receivable - Enforcement Special Account	28A, 34	851	-
Net GST receivable from the ATO		1,521	1,938
<b>Total trade and other receivables (gross)</b>		<b>5,796</b>	<b>3,001</b>
Less Allowance for doubtful debts:			
Goods and services		(93)	(77)
<b>Total trade and other receivables (net)</b>	17	<b>5,703</b>	<b>2,924</b>

Receivables are aged as follows:

Not overdue		5,261	2,867
Overdue by:			
Less than 30 days		218	23
30 to 60 days		149	2
61 to 90 days		51	17
More than 90 days		117	92
<b>Total receivables (gross)</b>		<b>5,796</b>	<b>3,001</b>

The allowance for doubtful debts is aged as follows:

Overdue by:			
More than 90 days		93	77
<b>Total allowance for doubtful debts</b>		<b>93</b>	<b>77</b>

Receivables are represented by:

Current		5,703	2,924
<b>Total trade and other receivables (net)</b>		<b>5,703</b>	<b>2,924</b>

# Notes to and forming part of the financial statements for the year ended 30 June 2007

## Note 6: Non-financial assets

	2007 \$'000	2006 \$'000
<b>Note 6A: Leasehold improvements</b>		
Leasehold improvements		
– work in progress	2,622	398
– gross carrying value (at fair value)	28,604	33,772
– accumulated depreciation	(4,375)	(23,536)
<b>Total leasehold improvements (non-current)</b>	<b>26,851</b>	<b>10,634</b>

All revaluations are conducted in accordance with the revaluation policy stated at Note 1.19. In 2006-07, Simon O'Leary AAPI MSAA, an independent valuer from the Australian Valuation Office conducted a revaluation of ASIC's leasehold improvements.

As a result of the revaluation, an increment of \$5.945m for leasehold improvements was credited to the asset revaluation reserve and included in the equity section of the Balance Sheet.

No indicators of impairment were found for leasehold improvements.

## Note 6B: Plant and equipment

Plant and equipment:		
– gross carrying value (at fair value)	22,425	20,192
– accumulated depreciation	(13,011)	(9,333)
<b>Total plant and equipment (non-current)</b>	<b>9,414</b>	<b>10,859</b>

As at 30 June 2007, Simon O'Leary AAPI MSAA, an independent valuer from the Australian Valuation Office conducted a review of ASIC's register of plant and equipment. The review confirmed there was no material difference between the fair value and the carrying value of plant and equipment assets.

No indicators of impairment were found for plant and equipment.

## Note 6C: Intangibles - computer software

<i>Internally developed</i>		
– work in progress	2,714	785
– in use	28,456	26,574
– accumulated amortisation	(20,402)	(15,127)
	<b>10,768</b>	<b>12,232</b>
<i>Purchased</i>		
– in use	11,663	10,921
– accumulated amortisation	(8,926)	(7,213)
	<b>2,737</b>	<b>3,708</b>
<b>Total intangibles (non-current)</b>	<b>13,505</b>	<b>15,940</b>

No indicators of impairment were found for intangible assets.

## Note 6D: Other non-financial assets

Prepayments	2,010	2,314
<b>Total other non-financial assets</b>	<b>2,010</b>	<b>2,314</b>

All other non-financial assets are current assets.

## Note 6: Non-financial assets (continued)

Note 6E: Analysis of leasehold improvements, plant and equipment and intangibles

**TABLE A – Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles (2006-07)**

	Leasehold improvements	Plant & equipment	Computer software internally developed	Computer software purchased	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2006</b>					
Gross book value	34,170	20,192	27,359	10,921	92,642
Accumulated depreciation/amortisation	(23,536)	(9,333)	(15,127)	(7,213)	(55,209)
<b>Net book value 1 July 2006</b>	<b>10,634</b>	<b>10,859</b>	<b>12,232</b>	<b>3,708</b>	<b>37,433</b>
Additions:					
by purchase	14,811	3,859	-	691	19,361
by internal cost	-	-	3,811	-	3,811
<b>Total additions<sup>1</sup></b>	<b>14,811</b>	<b>3,859</b>	<b>3,811</b>	<b>691</b>	<b>23,172</b>
Revaluations	5,945	-	-	-	5,945
Reclassification	-	(34)	-	34	-
Depreciation/amortisation expense	(4,539)	(5,058)	(5,275)	(1,696)	(16,568)
Write-offs	-	(194)	-	-	(194)
Disposals:					
Other disposals	-	(18)	-	-	(18)
<b>Net book value 30 June 2007</b>	<b>26,851</b>	<b>9,414</b>	<b>10,768</b>	<b>2,737</b>	<b>49,770</b>
<b>Net book value as of 30 June 2007 represented by:</b>					
Gross book value	31,226	22,425	31,170	11,663	96,484
Accumulated depreciation/amortisation	(4,375)	(13,011)	(20,402)	(8,926)	(46,714)
	<b>26,851</b>	<b>9,414</b>	<b>10,768</b>	<b>2,737</b>	<b>49,770</b>

<sup>1</sup> Total purchases of \$23,172,444 comprises cash purchases of \$21,381,261 plus accrued capital expenditure and restoration costs of \$3,561,332 less accrued capital expenditure in 2005-06 of \$1,770,149.

# Notes to and forming part of the financial statements for the year ended 30 June 2007

## Note 6: Non-financial assets (continued)

Note 6E: Analysis of leasehold improvements, plant and equipment and intangibles (continued)

*TABLE B – Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles (2005-06)*

	Leasehold improvements	Plant & equipment	Computer software internally developed	Computer software purchased	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2005</b>					
Gross book value	31,260	11,383	23,321	9,638	75,602
Accumulated depreciation/amortisation	(20,214)	(4,446)	(10,405)	(5,675)	(40,740)
<b>Net book value 1 July 2005</b>	<b>11,046</b>	<b>6,937</b>	<b>12,916</b>	<b>3,963</b>	<b>34,862</b>
Additions:					
by purchase	3,342	9,102	-	1,296	13,740
by internal cost	-	-	4,038	-	4,038
Total additions <sup>1</sup>	3,342	9,102	4,038	1,296	17,778
Reclassification	-	(5)	-	5	-
Depreciation/amortisation expense	(3,745)	(5,018)	(4,722)	(1,556)	(15,041)
Write-offs	(3)	(65)	-	-	(68)
Disposals:					
Other disposals	(6)	(92)	-	-	(98)
<b>Net book value 30 June 2006</b>	<b>10,634</b>	<b>10,859</b>	<b>12,232</b>	<b>3,708</b>	<b>37,433</b>
<b>Net book value as of 30 June 2006 represented by:</b>					
Gross book value	34,170	20,192	27,359	10,921	92,642
Accumulated depreciation/amortisation	(23,536)	(9,333)	(15,127)	(7,213)	(55,209)
	<b>10,634</b>	<b>10,859</b>	<b>12,232</b>	<b>3,708</b>	<b>37,433</b>

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

## Note 7: Payables

	Notes	2007 \$'000	2006 \$'000
<b>Note 7A: Suppliers</b>			
Trade creditors		22,070	14,228
<b>Total suppliers payables</b>	17	<u>22,070</u>	<u>14,228</u>

All suppliers payables are current.

## Note 7B: Other payables

Unearned revenue - Government appropriations <sup>1</sup>		10,294	11,670
Other unearned revenue		1,383	1,152
Rent payable <sup>2</sup>		4,049	3,745
Interest payable		-	21
Property lease incentives <sup>3</sup>		7,934	1,497
<b>Total other payables</b>	17	<u>23,660</u>	<u>18,085</u>

Other payables are represented by:

Current		13,414	13,676
Non-current		10,246	4,409
<b>Total other payables</b>		<u>23,660</u>	<u>18,085</u>

- 1 Unearned revenue - Government appropriations represent appropriations for specific Government initiatives that have not been spent where the appropriation is conditional on any unspent balance being returned to Government.
- 2 Other payables as at 30 June 2006 are \$3.745m higher than the amount reported in 2005-06. The increase relates to the adoption of a new accounting policy as a result of the transition to the Australian Equivalents to International Financial Reporting Standards. Under the new policy operating leases that have fixed rent increases are recognised on a straight-line basis over the lease term.
- 3 Total property lease incentives are disclosed as deferred rental expenditure at 30 June 2007. The amortisation of these amounts will be made over the life of the leases.

# Notes to and forming part of the financial statements for the year ended 30 June 2007

## Note 8: Interest bearing liabilities

	Note	2007 \$'000	2006 \$'000
<b>Note 8A: Leases</b>			
Finance leases		882	1,768
<b>Total finance leases</b>	17	<b>882</b>	<b>1,768</b>
Payable:			
Within one year			
Minimum lease payments		732	982
Deduct: future finance charges		(40)	(95)
In one to five years			
Minimum lease payments		193	924
Deduct: future finance charges		(3)	(43)
<b>Finance leases recognised on the balance sheet</b>		<b>882</b>	<b>1,768</b>

Finance leases exist in relation to certain IT assets. The leases are non-cancellable and for fixed terms averaging 3 years, with a maximum of 5 years. The interest rate implicit in the leases averaged 5.3% (2006: 5%). The leased assets secure the lease liabilities.

## Note 9: Provisions

<b>Note 9A: Employee provisions</b>			
Salaries and bonuses		5,318	4,354
Annual leave entitlement		11,327	10,266
Long service leave entitlement		20,234	18,417
Superannuation		126	135
Separations and redundancies		-	373
<b>Total employee provisions</b>		<b>37,005</b>	<b>33,545</b>
Employee provisions are represented by:			
Current		30,422	27,983
Non-current		6,583	5,562
<b>Total employee provisions</b>		<b>37,005</b>	<b>33,545</b>

The classification of current includes amounts for which there is not an unconditional right of deferral of one year, hence in the case of employee provisions the above classification does not equal the amount expected to be settled within one year of reporting date. Employee provisions expected to be settled in one year are \$14,214,274 (2006: \$12,847,979), and in excess of one year \$22,760,510 (2006: \$20,696,858).

## Note 9: Provisions (continued)

	2007 \$'000	2006 \$'000
<b>Note 9B: Other provisions</b>		
Restoration obligations - leased premises	4,218	3,913
<b>Total other provisions</b>	<b>4,218</b>	<b>3,913</b>
Other provisions are represented by:		
Current	436	1,585
Non-current	3,782	2,328
<b>Total other provisions</b>	<b>4,218</b>	<b>3,913</b>
<b>Reconciliation of the opening and closing balance of other provisions</b>		
Carrying amount 1 July	3,913	3,209
Additional provisions made	1,510	540
Amounts used	(1,404)	-
Unwinding of discount or change in discount rate	199	164
<b>Closing balance 30 June</b>	<b>4,218</b>	<b>3,913</b>

ASIC currently has 16 agreements for the leasing of premises which have provisions requiring ASIC to restore the premises to their original condition at the conclusion of the lease. ASIC has made a provision to reflect the present value of the 'make good' obligations.

## Note 10: Cash flow reconciliation

### Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement

Report cash and cash equivalents as per:

Cash Flow Statement	51,660	35,573
Balance Sheet	51,660	35,573
Difference	-	-

### Reconciliation of operating result to net cash from operating activities:

Operating result	2,144	7,207
Depreciation / amortisation	16,568	15,041
Net write-down of non-financial assets	194	68
Net (gain) / loss on disposal of assets	(2)	79
(Increase) / decrease in net receivables	(2,779)	3,216
(Increase) / decrease in prepayments	304	(46)
Increase in employee provisions	3,460	1,166
Increase in supplier payables	7,842	6,270
Increase in other payables	4,089	3,365
<b>Net cash from operating activities</b>	<b>31,820</b>	<b>36,366</b>



# Notes to and forming part of the financial statements for the year ended 30 June 2007

## Note 11: Contingent liabilities and assets

### *Quantifiable contingencies (ASIC departmental)*

As at the date of this report, there are 24 matters for which ASIC has received an award of costs in its favour, and agreement with respect to the quantum payable to ASIC has not been reached. ASIC has estimated these matters represent a combined receivable of \$4.263m, which is disclosed as a contingent asset because realisation of this debt is not virtually certain.

The contingent receivable at 30 June 2006 represented a potential refund of rent paid to a landlord that was contingent on the renegotiation of an existing lease agreement. The receivable was crystallised during the 2006-07 financial year.

There are no quantifiable contingent liabilities as at 30 June 2007 (2006: nil).

### *Quantifiable contingencies (assets held in trust)*

#### Companies Unclaimed Monies

Unclaimed monies held by ASIC, pursuant to Part 9.7 of the *Corporations Act 2001*, that have not been claimed within six years are transferred to the Commonwealth and deposited into the CRF. A contingent liability estimated to be \$486,552 (2006: \$568,850) represents an estimate of future claims for repayment. The estimate of future claims for repayment at 30 June 2007 was determined using a methodology provided by an independent actuary (Russell Employee Benefits Pty Ltd).

### *Unquantifiable contingent liabilities*

ASIC is party to many civil litigation matters arising out of its statutory duty to administer and enforce laws for which it is responsible. Also, like any corporate body, ASIC may from time to time be the subject of legal proceedings for damages brought against it, or may receive notice indicating that such proceedings may be brought. In either case ASIC, like any other party to civil litigation, may be required to pay the other party's costs if ASIC is unsuccessful.

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

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

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

Seven further possible claims of this type have been notified to ASIC since 1 July 2006. It is not yet possible in any of those cases to assess the likelihood that proceedings will be commenced.

### *Unquantifiable contingent assets*

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

As at the date of this report ASIC has also incurred costs to undertake investigations and conduct litigation in relation to a large matter. ASIC may seek to recover these costs from the Enforcement Special Account (ESA) if the conditions for accessing the ESA are satisfied. As the quantum of costs have not been settled, the contingent receivable has not been quantified.

### *Remote contingencies*

ASIC has no remote contingent assets or liabilities.

## Note 12: Remuneration of Commissioners

	2007 Commissioners	2006 Commissioners
The number of Commissioners of ASIC included in these figures are shown below in the relevant remuneration bands:		
\$120,000 - \$134,999	-	1
\$135,000 - \$149,999	1	-
\$180,000 - \$194,999	-	1
\$225,000 - \$239,999	1	-
\$345,000 - \$359,999	-	1
\$385,000 - \$399,999	-	1
\$415,000 - \$429,999	1	-
\$505,000 - \$519,999	1	-
Total number of Commissioners of ASIC	4	4
	2007 \$	2006 \$
Total remuneration received or due and receivable by Commissioners of ASIC:	1,316,051	1,053,662

## Note 13: Related party disclosures

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

- A. M. D'Aloisio (Chairman from 13 May 2007 and Commissioner from 22 November 2006 to 12 May 2007)
- J. J. Lucy (Chairman to 12 May 2007 and Commissioner from 13 May 2007)
- J. R. Cooper (Deputy Chairman)
- M. J. Rodgers (Acting Commissioner to 21 November 2006)

### *Loans to Commissioners and Commissioner-related entities*

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

### *Other transactions with Commissioner-related entities*

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

# Notes to and forming part of the financial statements for the year ended 30 June 2007

## Note 14: Remuneration of executives

	2007 Executives	2006 Executives
The number of senior executives who received or were due to receive total remuneration of \$130,000 or more:		
\$130,000 to \$144,999	2	1
\$145,000 to \$159,999	7	8
\$160,000 to \$174,999	6	6
\$175,000 to \$189,999	1	7
\$190,000 to \$204,999	4	4
\$205,000 to \$219,999	6	3
\$220,000 to \$234,999	5	4
\$235,000 to \$249,999	2	1
\$250,000 to \$264,999	2	1
\$265,000 to \$279,999	1	-
\$280,000 to \$294,999	1	-
\$295,000 to \$309,999	1	1
\$310,000 to \$324,999	-	2
\$325,000 to \$339,999	-	2
\$340,000 to \$354,999	2	-
\$355,000 to \$369,999	1	-
\$385,000 to \$399,999	1	-
\$565,000 to \$579,999	1	-
<b>Total</b>	<b>43</b>	<b>40</b>
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
The aggregate amount of total remuneration of executives shown above:	<b>9,591,079</b>	<b>8,069,950</b>
The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above:	<b>456,436</b>	<b>129,693</b>

## Note 15: Remuneration of auditors

Remuneration to the Auditor-General for auditing the financial statements of ASIC in respect of the reporting period:

139,300	141,275
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No other services were provided by the Auditor-General.

## Note 16: Average staffing levels

	2007	2006
The average full time equivalent staffing levels for ASIC during the year were:	1,610	1,471

## Note 17: Financial instruments

### Note 17A: Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in				Non-interest bearing		Total		Weighted average effective interest rate	
			1 year or less		1 to 5 years							
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 %	2006 %
<b>Financial assets</b>												
Cash at bank and on hand	51,619	9,298	-	-	-	-	41	46	51,660	9,344	5.8	5.1
Cash on deposit	-	26,229	-	-	-	-	-	-	-	26,229	n/a	5.8
Receivables for goods & services	-	-	-	-	-	-	5,703	2,924	5,703	2,924	n/a	n/a
<b>Total</b>	<b>51,619</b>	<b>35,527</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,744</b>	<b>2,970</b>	<b>57,363</b>	<b>38,497</b>		
<b>Total assets</b>									<b>109,143</b>	<b>78,244</b>		
<b>Financial liabilities</b>												
Finance lease liabilities	-	-	692	887	190	881	-	-	882	1,768	5.3	5.0
Trade creditors	-	-	-	-	-	-	22,070	14,228	22,070	14,228	n/a	n/a
Unearned revenue	-	-	-	-	-	-	11,677	12,822	11,677	12,822	n/a	n/a
Other payables	-	21	-	-	-	-	11,983	5,242	11,983	5,263	n/a	5.1 <sup>1</sup>
<b>Total</b>	<b>-</b>	<b>21</b>	<b>692</b>	<b>887</b>	<b>190</b>	<b>881</b>	<b>45,730</b>	<b>32,292</b>	<b>46,612</b>	<b>34,081</b>		
<b>Total liabilities</b>									<b>87,835</b>	<b>71,539</b>		

1 5.1% relates to Other payables of \$0.021m as at 30 June 2006.

# Notes to and forming part of the financial statements for the year ended 30 June 2007

## Note 17: Financial instruments (continued)

### Note 17B: Fair values of financial assets and liabilities

	2007		2006	
	Total carrying amount \$'000	Aggregate fair value \$'000	Total carrying amount \$'000	Aggregate fair value \$'000
<b>Financial assets</b>				
Cash	51,660	51,660	9,344	9,344
Deposits	-	-	26,229	26,229
Receivables for goods and services	5,703	5,703	2,924	2,924
<b>Total financial assets</b>	<b>57,363</b>	<b>57,363</b>	<b>38,497</b>	<b>38,497</b>
<b>Financial liabilities</b>				
Finance lease liabilities	882	882	1,768	1,768
Trade creditors	22,070	22,070	14,228	14,228
Unearned revenue	11,677	11,677	12,822	12,822
Other payables	11,983	11,983	5,263	5,263
<b>Total financial liabilities</b>	<b>46,612</b>	<b>46,612</b>	<b>34,081</b>	<b>34,081</b>

### Note 17C: 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 Balance Sheet.

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

All figures for credit risk referred to do not take into account the value of any collateral or other security.

# Notes to schedule of administered items for the year ended 30 June 2007

## Note 18: Income administered on behalf of Government

	2007 \$'000	2006 \$'000
<b>Revenue</b>		
<b>Note 18A: Non-taxation revenue</b>		
Corporations Act fees <sup>1</sup>	458,236	476,360
Corporations Act fines	60,794	66,326
<b>Corporations Act fees and fines</b>	<b>519,030</b>	<b>542,686</b>
Monies received from banks and deposit taking institutions in respect of accounts inactive for seven or more years	34,359	32,923
Monies received from life insurance institutions and friendly societies for policies not claimed within seven years	4,914	10,192
<b>Total non-taxation revenue</b>	<b>558,303</b>	<b>585,801</b>

1 In the 2006-07 Commonwealth Budget, the Government determined to decrease the company registration fee from \$800 to \$400 which primarily contributed to the decrease in Corporations Act fee revenue.

### Corporations Act fees and fines

	2007 \$'000	2007 \$'000	2007 \$'000	2006 \$'000	2006 \$'000	2006 \$'000
	Fees	Fines	Total	Fees	Fines	Total
Mandatory collections <sup>1</sup>	413,289	59,514	472,803	435,018	65,343	500,361
Information broker fees <sup>2</sup>	44,159	-	44,159	40,413	-	40,413
Other fees <sup>2</sup>	788	-	788	929	-	929
Court receivables <sup>3</sup>	-	1,280	1,280	-	983	983
	<b>458,236</b>	<b>60,794</b>	<b>519,030</b>	<b>476,360</b>	<b>66,326</b>	<b>542,686</b>

1 Fees and charges arise from actions which are mandatory under the *Corporations Act 2001*.

Examples include annual review fees and other fees prescribed in the *Corporations (Fees) Regulations 2001*.

2 Fees and charges paid by information brokers (intermediaries between ASIC and the consumer) and other consumers for information provided by ASIC from its corporations information database.

3 Recovery of fines and penalties for contraventions of the *Corporations Act 2001*.

	2007 \$'000	2006 \$'000
<b>Note 18B: Interest</b>		
Bank interest from:		
Life Insurance Act unclaimed monies account	27	18
Banking Act unclaimed monies account	51	38
Corporations Act refund account	45	11
Insolvency law reform account	32	-
<b>Total interest</b>	<b>155</b>	<b>67</b>

# Notes to schedule of administered items for the year ended 30 June 2007

## Note 18: Income administered on behalf of Government (continued)

Gains	Notes	2007 \$'000	2006 \$'000
<b>Note 18C: Other gains</b>			
Resources received free of charge <sup>1</sup>		31	29
<b>Total other gains</b>		<b>31</b>	<b>29</b>

1 Financial statement audit services by the Auditor-General are provided free of charge to ASIC in relation to the audit of *Corporations Act 2001*, *Banking Act 1959*, *Life Insurance Act 1995*, and other administered items. The fair value of the audit services provided for the reporting period is \$31,000 (2006: \$28,600).

## Note 19: Expenses administered on behalf of Government

### Note 19A: Suppliers

Services from external parties <sup>1</sup>	1,563	73
<b>Total suppliers expenses</b>	<b>1,563</b>	<b>73</b>

1 On behalf of the Government ASIC administers payments to registered insolvency practitioners to undertake preliminary investigations of suspected breaches of directors' duties and fraudulent conduct and to report the outcome of their findings to ASIC for further action as appropriate. This forms a part of the Government's corporate insolvency law reform package to strengthen creditor protection and to deter misconduct by company officers.

### Note 19B: Write-down and impairment of assets

Write-off of fees and charges <sup>1</sup>	20,096	24,016
Decrease in allowance for doubtful debts <sup>2</sup>	(492)	(4,157)
Waiver of fees and charges owing <sup>3</sup>	2,823	4,652
<b>Total write-down and impairment of assets</b>	<b>22,427</b>	<b>24,511</b>

1 The number and aggregate amount of Commonwealth monies written off during the financial year pursuant to section 47 of the FMA Act is 107,993 items totalling \$20,096,051 (2006: 113,975 items totalling \$24,015,587).

2 The allowance for doubtful debts has decreased by \$492,578 to \$24,989,422 (2006: decrease of \$4,157,426 to \$25,481,574).

3 The number and aggregate of amounts owing to the Commonwealth the recovery of which was waived during the financial year pursuant to section 34(1) of the FMA Act is 21,642 items totalling \$2,823,210 (2006: 32,374 items totalling \$4,652,272).

### Note 19C: Other expenses

Refunds paid to bank and deposit taking institution account holders	28C	18,639	20,492
Refunds paid to life insurance policy holders	28C	7,589	2,729
Audit fees	24	31	29
<b>Total other expenses</b>		<b>26,259</b>	<b>23,250</b>

## Note 20: Assets administered on behalf of Government

		2007	2006
Financial assets	Note	\$'000	\$'000
<b>Note 20A: Cash and cash equivalents</b>			
Cash at bank and on hand - Corporations Act		1,615	1,864
Cash at bank - Banking Act		456	405
Cash at bank - Life Insurance Act		250	313
Cash at bank - Insolvency law reform		185	380
<b>Total cash and cash equivalents</b>	27	<b>2,506</b>	<b>2,962</b>
<b>Note 20B: Receivables</b>			
Corporations Act:			
Corporations Act fees and charges		96,907	92,954
Information brokers fees		4,880	5,776
Other receivables:			
GST receivable from ATO		79	7
<b>Total receivables</b>		<b>101,866</b>	<b>98,737</b>
Less: Allowance for doubtful debts:			
Corporations Act		(24,989)	(25,482)
<b>Total receivables (net)</b>		<b>76,877</b>	<b>73,255</b>
Receivables are aged as follows:			
Not overdue		54,743	51,790
Overdue by:			
Less than 30 days		13,697	13,468
30 to 60 days		5,153	6,415
61 to 90 days		2,617	2,637
More than 90 days		25,656	24,427
<b>Total receivables</b>		<b>101,866</b>	<b>98,737</b>
The allowance for doubtful debts is aged as follows:			
Not overdue		636	622
Overdue by:			
Less than 30 days		598	692
30 to 60 days		670	759
61 to 90 days		586	660
More than 90 days		22,499	22,749
<b>Total allowance for doubtful debts</b>		<b>24,989</b>	<b>25,482</b>
Receivables are due from entities that are not part of the Australian Government.			



# Notes to schedule of administered items for the year ended 30 June 2007

## Note 21: Liabilities administered on behalf of Government

		2007	2006
Payables	Note	\$'000	\$'000
<b>Note 21A: Suppliers</b>			
Corporations Act refunds		2,452	2,651
Unallocated monies - Corporations Act		1,367	1,573
Trade creditors		795	-
<b>Total suppliers</b>	27	<b>4,614</b>	<b>4,224</b>

All creditors are entities that are not part of the Australian Government.

## Note 22: Administered reconciliation table

<i>Opening administered assets less administered liabilities as at 1 July</i>	71,993	68,777
Plus: Administered revenues	558,489	585,897
Less: Administered expenses	(50,249)	(47,834)
Appropriation transfers from CRF:		
Special appropriations (unlimited)	30,689	27,205
Transfers to CRF	(536,153)	(562,052)
<i>Closing administered assets less administered liabilities as at 30 June</i>	<b>74,769</b>	<b>71,993</b>

## Note 23: Administered cash flow reconciliation

<i>Reconciliation of net contribution to budget outcome to net cash provided by operating activities</i>		
Net contribution to budget outcome	508,240	538,063
(Decrease) in allowance for doubtful debts	(493)	(4,157)
Increase / (decrease) in payables and provisions	390	(428)
(Increase) in receivables	(3,129)	(148)
	(3,232)	(4,733)
<i>Net cash provided by operating activities</i>	<b>505,008</b>	<b>533,330</b>

#### Note 24: Remuneration of auditors - administered items

	2007	2006
	\$	\$
Financial statement audit services by the Auditor-General are provided free of charge to ASIC in relation to the audit of Corporations Act, Banking Act, Life Insurance Act, and other administered items, which is the estimated fair value of the service	31,000	28,600

#### Note 25: Administered contingent liabilities

##### *Quantifiable administered contingencies*

Quantifiable administered contingencies that are not remote are disclosed in the Schedule of Administered Items.

In the 2005-06 financial statements, a contingent liability for Companies Unclaimed Monies was disclosed as an administered contingent liability. As a consequence of a change in the Finance Minister's Orders assets held in trust are no longer considered to be administered items. The contingent liability for Companies Unclaimed Monies is now disclosed in Note 11: Contingent liabilities and assets.

##### *Unquantifiable and remote administered contingencies*

There are no unquantifiable administered contingent liabilities.

There are no remote administered contingent liabilities.

#### Note 26: Administered contingent assets

There are no administered contingent assets.

# Notes to schedule of administered items for the year ended 30 June 2007

## Note 27: Administered financial instruments

### Note 27A: Interest rate risk

Financial instrument	Floating interest rate		Non-interest bearing		Total		Weighted average effective interest rate	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
<b>Financial assets</b>								
Cash	2,506	2,962	-	-	2,506	2,962	5.5	5.1
<b>Total</b>	<b>2,506</b>	<b>2,962</b>	<b>-</b>	<b>-</b>	<b>2,506</b>	<b>2,962</b>		
<b>Total assets</b>					<b>79,383</b>	<b>76,217</b>		
<b>Financial liabilities</b>								
Corporations Act refunds	-	-	2,452	2,651	2,452	2,651	n/a	n/a
Other monies	-	-	1,367	1,573	1,367	1,573	n/a	n/a
Trade creditors	-	-	795	-	795	-	n/a	n/a
<b>Total</b>	<b>-</b>	<b>-</b>	<b>4,614</b>	<b>4,224</b>	<b>4,614</b>	<b>4,224</b>		
<b>Total liabilities</b>					<b>4,614</b>	<b>4,224</b>		
<b>Liabilities not recognised</b>								
Banking Act unclaimed monies	-	-	35,498	35,239	35,498	35,239	n/a	n/a
Life Insurance Act unclaimed monies	-	-	3,391	8,277	3,391	8,277	n/a	n/a
<b>Total financial liabilities (unrecognised)<sup>1</sup></b>	<b>-</b>	<b>-</b>	<b>38,889</b>	<b>43,516</b>	<b>38,889</b>	<b>43,516</b>		

There were no fixed interest financial instruments as at 30 June 2007 (2006: nil).

1 Unrecognised financial liabilities are quantified administered contingencies as disclosed in the Schedule of Administered Items.

## Note 27: Administered financial instruments (continued)

### Note 27B: Fair values of financial assets and liabilities

	2007		2006	
	Total carrying amount \$'000	Aggregate fair value \$'000	Total carrying amount \$'000	Aggregate fair value \$'000
<b>Financial assets</b>				
Cash	2,506	2,506	2,962	2,962
<b>Total financial assets</b>	<b>2,506</b>	<b>2,506</b>	<b>2,962</b>	<b>2,962</b>
<b>Financial liabilities</b>				
Corporations Act refunds	2,452	2,452	2,651	2,651
Other monies	1,367	1,367	1,573	1,573
Trade creditors	795	795	-	-
<b>Total financial liabilities</b>	<b>4,614</b>	<b>4,614</b>	<b>4,224</b>	<b>4,224</b>
<b>Financial liabilities (unrecognised)<sup>1</sup></b>				
Banking Act unclaimed monies	35,498	35,498	35,239	35,239
Life Insurance Act unclaimed monies	3,391	3,391	8,277	8,277
<b>Total financial liabilities (unrecognised)</b>	<b>38,889</b>	<b>38,889</b>	<b>43,516</b>	<b>43,516</b>

1 Unrecognised financial liabilities are quantified administered contingencies as disclosed in the Schedule of Administered Items.

### Note 27C: 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 Schedule of Administered Items.

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

All figures for credit risk referred to do not take into account the value of any collateral or other security.

# Notes to and forming part of the financial statements for the year ended 30 June 2007

## Note 28: Appropriations

Note 28A: Acquittal of authority to draw cash from the Consolidated Revenue Fund (CRF)

Particulars	Notes	Departmental outputs		Equity		Total	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance carried from previous period		-	3,084	-	407	-	3,491
Appropriation Act:							
Appropriation Act (No.1 and No.3) <sup>1</sup>		252,182	220,077	-	-	252,182	220,077
Appropriation Act (No.2 and No.4)		-	-	6,514	2,165	6,514	2,165
Departmental adjustments by the Finance Minister (Appropriation Acts)		(9,500)	-	-	-	(9,500)	-
Total appropriation available for payments		242,682	223,161	6,514	2,572	249,196	225,733
Cash payments made out of CRF	28B	(251,331)	(223,161)	(6,514)	(2,572)	(257,845)	(225,733)
Cash returned to the CRF	28B	9,500	-	-	-	9,500	-
Balance of authority to draw cash from the CRF for ordinary annual services appropriations		851	-	-	-	851	-
<i>Represented by</i>							
Departmental appropriations receivable <sup>1</sup>	34	851	-	-	-	851	-
<b>Total</b>		<b>851</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>851</b>	<b>-</b>

Departmental and non-operating appropriations do not lapse at financial year end. However, the responsible Minister may decide that part or all of a departmental or non-operating appropriation is not required and request the Finance Minister to reduce that appropriation or defer it to future years. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. On 27 April 2007, a determination of the Finance Minister was made resulting in a reduction in departmental appropriations. The amount deferred to future years under Appropriation Act No.1 of 2007-08 was \$9.5m.

- 1 Appropriation Act No.1 includes funding received from the Enforcement Special Account (ESA) (Note 34 refers). For the year ended 30 June 2007 ASIC recognised ESA revenue of \$16.988m, of which \$16.137m was drawn down during the year, resulting in a balance of \$0.851m appropriation receivable as at 30 June 2007.

## Note 28: Appropriations (continued)

	2007 \$'000	2006 \$'000
<b>Note 28B: Reconciliation of appropriation reported on a cash basis (Note 28A) to the accruals basis as reported in the Income Statement</b>		
Payments from the CRF	251,331	223,161
Add: appropriations receivable - current year	851	-
Less: appropriations receivable - previous year	-	(3,084)
Less: unearned appropriation revenue - current year	(10,294)	(11,670)
Unearned appropriation - previous year	11,670	6,688
Less: appropriation returned to the CRF	(9,500)	(1,216)
<b>Total revenues from Government</b>	<b>244,058</b>	<b>213,879</b>

## Note 28C: Acquittal of authority to draw cash from the CRF for special appropriations (unlimited amounts)

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

### Banking Act 1959

#### Legal authority - *Banking Act 1959*

Purpose - ASIC has responsibility for the administration of unclaimed monies from banking and deposit taking institutions. Monies from banking and deposit taking institution accounts that remain inactive for seven or more years are transferred to the Commonwealth, and are deposited into the CRF.

ASIC receives special appropriations from the CRF (section 69 *Banking Act 1959*) to refund amounts to banking and deposit taking institution account holders.

All transactions under this Act are recognised as administered items.

Budget estimate	18,000	18,000
Payments made	18,639	20,492

### Life Insurance Act 1995

#### Legal authority - *Life Insurance Act 1995*

Purpose - ASIC has responsibility for the administration of unclaimed monies from life insurance institutions and friendly societies. Monies in respect of matured life insurance policies that have not been claimed within seven years are transferred to the Commonwealth and are deposited into the CRF.

ASIC receives special appropriations from the CRF (section 216 *Life Insurance Act 1995*) to refund amounts to life insurance policy holders.

All transactions under this Act are recognised as administered items.

Budget estimate	3,000	3,000
Payments made	7,589	2,729

# Notes to and forming part of the financial statements for the year ended 30 June 2007

## Note 28: Appropriations (continued)

	Note	2007 \$'000	2006 \$'000
<b>Corporations Act 2001 (Refunds of overpaid Corporations Act fees and charges)</b>			
Legal authority - <i>Corporations Act 2001</i>			
Purpose - ASIC has responsibility for the administration and collection of Corporations Act fees and charges. All fees and charges are deposited into the CRF as received. Refunds of overpayments are appropriated under section 28 of the FMA Act.			
All transactions of this type under this Act are recognised as administered items.			
Budget estimate		6,000	6,000
Payments made		3,622	3,687

## Corporations Act 2001 (Companies Unclaimed Monies Account)

Legal authority - *Corporations Act 2001*

Purpose - ASIC has responsibility for the administration of unclaimed monies from the Companies Unclaimed Monies Account. Monies that are not claimed within six years are transferred to the Commonwealth (Part 9.7 of the *Corporations Act 2001*), and are deposited into the CRF. Refunds are appropriated under section 28 of the FMA Act.

All transactions of this type under Part 9.7 of this Act are recognised in Note 29: Assets held in trust.

Budget estimate		-	-
Payments made	29	204	227

## Note 29: Assets held in trust

	2007 \$'000	2006 \$'000
<b>Financial assets</b>		
<b>Comcare Trust Account</b>		
Purpose – monies held in trust and advanced to ASIC by Comcare for the purpose of distributing compensation payments made in accordance with the <i>Safety Rehabilitation and Compensation Act 1988</i> .		
Balance carried forward from previous year	26	48
Receipts during the year	159	324
Interest received	3	-
Available for payments	188	372
Payments made	(188)	(346)
<b>Closing balance<sup>1</sup></b>	<b>-</b>	<b>26</b>

- 1 The Comcare trust account was closed during the 2006-07 financial year following an amendment to the *Safety Rehabilitation and Compensation Act 1988*. The amendment to the Act now allows for payments to reimburse employers directly. Payments that are direct reimbursement to employers are no longer considered to be Special Public Money. Therefore from 1 July 2006, amounts received for claims made for an injury occurring on or after 1 July 2006 which are reimbursements are not required to be deposited into a Special Account nor disclosed as an asset held in trust.

### Companies Unclaimed Monies

Purpose – monies received under the *Corporations Act 2001* (Part 9.7) are placed in a special purpose bank account and are expended in accordance with that Act. The principal amount of these monies is not available to ASIC and accordingly is not recognised in the financial statements.

Opening balance	196,581	68,496
Receipts during the year	28,625	133,050
Special appropriations received (section 28(2) FMA Act)	204	227
Special purpose receipt	102	-
Interest received	12,044	5,633
Disbursements	(28,040)	(6,824)
Special purpose disbursement	(325)	(690)
Management costs recovered by ASIC	(472)	(400)
Transfer to the CRF	(2,438)	(2,911)
<b>Closing balance</b>	<b>206,281</b>	<b>196,581</b>
<b>Represented by</b>		
Cash at bank and on deposit	206,268	195,954
Accrued interest	-	620
GST receivable	13	7
	<b>206,281</b>	<b>196,581</b>



# Notes to and forming part of the financial statements for the year ended 30 June 2007

## Note 29: Assets held in trust (continued)

	2007 \$'000	2006 \$'000
<b>Unclaimed Monies Holding Account</b>		
Purpose – ASIC has established a special purpose bank account in terms of section 601AD and Part 9.7 of the <i>Corporations Act 2001</i> . Monies received are expended in accordance with the <i>Corporations Act 2001</i> . These monies are not available to ASIC and are not recognised in the financial statements.		
Opening balance	39	55
Receipts during the year	113	87
Interest received	2	3
Disbursements	(125)	(106)
<b>Closing balance</b>	<b>29</b>	<b>39</b>

## Note 30: Expenditure relating to statutory boards and tribunal

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

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

Companies Auditors and Liquidators Disciplinary Board (CALDB)	1,175	1,237
Australian Accounting Standards Board (AASB)	1,620	1,607
Superannuation Complaints Tribunal	4,376	4,231

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

### Note 31: Assets of deregistered companies vesting in ASIC

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

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

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

	2007 \$'000	2006 \$'000
<b>Monies held pending the outcome of ASIC investigations and/or legal proceedings</b>		
Opening balance	127	116
Reclassified during the year	(127)	-
Receipts during the year	1,560	78
Interest received	19	8
Disbursements	(953)	(75)
<b>Closing balance</b>	<b>626</b>	<b>127</b>
<b>Monies received and disbursed in accordance with orders made by the courts or deeds of settlement between ASIC and other parties</b>		
<b>Cash at bank</b>		
Opening balance	473	787
Reclassified during the year	127	-
Receipts during the year	838	1
Interest received	8	31
Disbursements	(1,316)	(346)
<b>Closing balance</b>	<b>130</b>	<b>473</b>

#### Investments

A parcel of shares was vested in ASIC on 25 June 2007 pursuant to an order made by a Court requiring ASIC to sell the shares and apply the proceeds, less costs, in accordance with Part 9.7 of the *Corporations Act 2001*. Based on the closing price quoted on the Australian Securities Exchange on 29 June 2007, the value of these shares was \$4,336,778.

# Notes to and forming part of the financial statements for the year ended 30 June 2007

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

	2007 \$'000	2006 \$'000
The <i>Corporations Act 2001</i> and the <i>Corporations Regulations 2001</i> requires applicants for a dealers or investment advisers licence, and applicants for registration as a liquidator, to lodge a security deposit with ASIC. These monies, deposits, stock, bonds or guarantees are not available to ASIC and are not recognised in the financial statements.		
<b>Security deposits under Corporations Regulations 2001 regulation 10.2.45 (2006: regulation 7.6.02AA) (dealers and investment advisers)</b>		
Cash (at bank)	43	43
Interest bearing deposits (at bank)	400	420
Inscribed stock	20	20
Insurance bonds	20	20
Bank guarantees	36,790	35,820
<b>Closing balance</b>	<b>37,273</b>	<b>36,323</b>
<b>Security deposits under Corporations Act 2001 section 1284(1) (liquidators)</b>		
Insurance bonds	3,950	4,100
Bank guarantees	750	750
<b>Closing balance</b>	<b>4,700</b>	<b>4,850</b>

## Note 34: Special Accounts

### Enforcement Special Account (departmental) - established 13 September 2006

Legal authority - section 20 (1) *Financial Management and Accountability Act 1997* and *Financial Management and Accountability Determination 2006/31 - Enforcement Special Account Establishment 2006*

Purpose – The Enforcement Special Account (ESA) is a departmental Special Account which was established by a determination of the Finance Minister on 13 September 2006 to fund the costs of ASIC arising from the investigation and litigation of exception matters of significant public interest.

Balance carried forward from previous year	-	-
Appropriation for the reporting period	30,000	-
Costs recovered	-	-
GST credits	-	-
Available for payments	30,000	-
Cash payments from the CRF <sup>1</sup>	(16,137)	-
Balance available to draw down next year	13,863	-

<sup>1</sup> For the year ended 30 June 2007 ASIC recognised ESA revenue of \$16.988m, of which \$16.137m was drawn down during the year, resulting in a balance of \$0.851m appropriation receivable as at 30 June 2007.

**Note 34: Special Accounts (continued)**

**Administered Special Accounts**

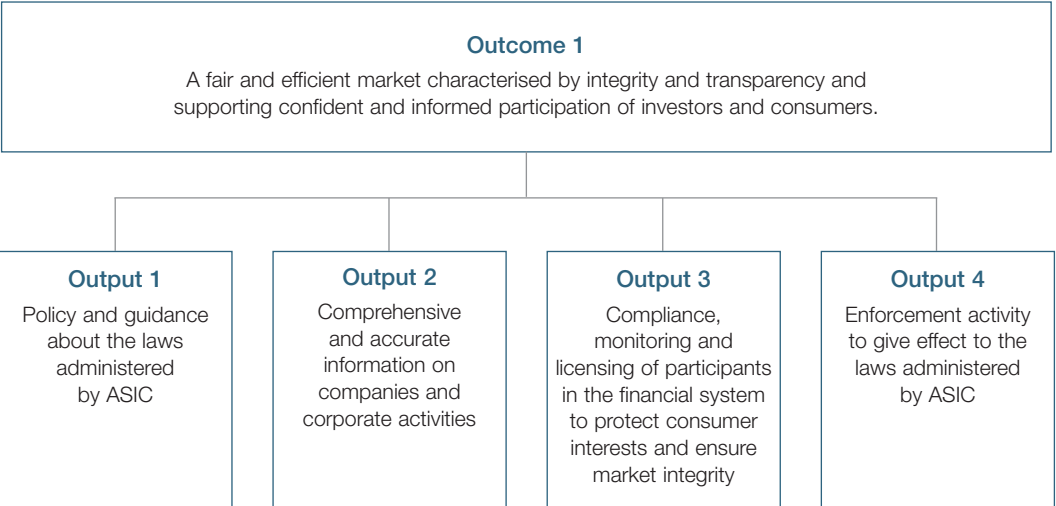
Two administered Special Accounts were established on 31 December 1997 by the Department of Finance and Administration in accordance with the terms of section 2 of the FMA Act (“Other Trust Monies Account” and “Services for Other Governments and Non-Agency Bodies Account”). There were no transactions in these two accounts during the year and the balance of these accounts is nil (2006: nil).

**Note 35: Reporting of outcomes**

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

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

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



# Notes to and forming part of the financial statements for the year ended 30 June 2007

## Note 35: Reporting of outcomes (continued)

	Outcome 1	
	2007 \$'000	2006 \$'000
<b>Note 35A: Net contribution of outcome</b>		
<b>Expenses</b>		
Administered	50,249	47,834
Departmental	255,710	217,517
<b>Total expenses</b>	<b>305,959</b>	<b>265,351</b>
<b>Costs recovered from provision of services to the non-government sector</b>		
Departmental	2,800	2,473
<b>Total costs recovered</b>	<b>2,800</b>	<b>2,473</b>
<b>Other external revenues</b>		
Administered		
Non-taxation revenue	558,458	585,897
Departmental		
Interest	5,457	3,574
Net gains from disposal of assets	2	-
Other revenue	3,154	3,796
<b>Total other external income</b>	<b>567,071</b>	<b>593,267</b>
<b>Net (contribution) of outcome</b>	<b>(263,912)</b>	<b>(330,389)</b>

The above table shows the net contribution to the Commonwealth Budget outcome by adding the departmental and administered expenses, less external departmental and administered revenues and costs recovered to produce a net contribution to the Budget outcome of \$263.912m (2006: \$330.389m). This derived amount is meaningful only when it is used to consider ASIC's contribution to the Budget outcome for the purposes of "whole of Government" reporting. It is not intended to represent or portray an alternative operating result for ASIC to that which is disclosed in the Income Statement.

Administered expenses represent revenue forgone to the Commonwealth as a result of refunds and waivers and write-offs of fees and charges owing to the Commonwealth (not ASIC) under the Corporations Act. Administered revenues and administered expenses are detailed in Notes 18 and 19 respectively.

## Note 35: Reporting of outcomes

Note 35B: Major classes of departmental revenues and expenses by output

Outcome 1	Output 1		Output 2		Output 3		Output 4		Outcome 1 Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Departmental expenses</b>										
Employee benefits	9,544	7,893	27,323	26,509	41,937	34,886	68,930	58,022	147,734	127,310
Suppliers	5,520	5,200	14,557	17,401	13,464	13,702	57,246	38,369	90,787	74,672
Depreciation and amortisation	955	567	2,826	6,262	3,978	3,283	8,809	4,929	16,568	15,041
Finance costs	5	20	25	52	23	81	239	194	292	347
Write-down of assets	18	3	75	14	78	16	158	35	329	68
Net losses from disposal of assets	-	3	-	13	-	14	-	49	-	79
<b>Total departmental expenses</b>	<b>16,042</b>	<b>13,686</b>	<b>44,806</b>	<b>50,251</b>	<b>59,480</b>	<b>51,982</b>	<b>135,382</b>	<b>101,598</b>	<b>255,710</b>	<b>217,517</b>
<b>Funded by:</b>										
Revenues from Government	15,286	13,294	40,078	45,396	61,204	54,781	127,490	100,408	244,058	213,879
Sale of services	89	-	2,433	2,830	907	602	715	-	4,144	3,432
Interest	327	215	873	572	1,364	893	2,893	1,894	5,457	3,574
Royalties	-	16	360	133	-	68	-	144	360	361
Other revenues	74	155	395	1,268	305	645	3,059	1,367	3,833	3,435
Net gains from disposal of assets	-	-	-	-	1	-	1	-	2	-
Reversals of previous asset write-downs	-	2	-	9	-	10	-	22	-	43
<b>Total departmental income</b>	<b>15,776</b>	<b>13,682</b>	<b>44,139</b>	<b>50,208</b>	<b>63,781</b>	<b>56,999</b>	<b>134,158</b>	<b>103,835</b>	<b>257,854</b>	<b>224,724</b>

In 2006-07 revenue is greater than expenses for output 3 due to funding received for certain specific purpose initiatives being underspent by \$6.104m.

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

Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.

# Notes to and forming part of the financial statements for the year ended 30 June 2007

## Note 35: Reporting of outcomes (continued)

	Outcome 1	
	2007	2006
	\$'000	\$'000
<b>Note 35C: Major classes of administered revenues and expenses by outcome</b>		
<b>Administered income</b>		
Other taxes, fees and fines	519,030	542,686
Monies from banks and deposit taking institutions	34,359	32,923
Monies from life insurance institutions	4,914	10,192
Interest	155	67
Services free of charge	31	29
<b>Total administered income</b>	<b>558,489</b>	<b>585,897</b>
<b>Administered expenses</b>		
Suppliers	1,563	73
Write-down and impairment of assets	22,427	24,511
Other expenses	26,259	23,250
<b>Total administered expenses</b>	<b>50,249</b>	<b>47,834</b>

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