



Australian Academy of Science Financial report

FOR THE YEAR ENDED 30 JUNE 2015

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AUSTRALIAN ACADEMY OF SCIENCE

We have audited the accompanying financial report of Australian Academy of Science ("the entity"), which comprises the balance sheet as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council declaration.

Council's Responsibility for the Financial Report

The Council of the entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and for such internal control as the Council determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation of the financial report that gives a true and fair view 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 registered entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial report of Australian Academy of Science has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the registered entity's financial position as at 30 June 2015 and of its financial performance and cash flows for the year ended on that date; and

- (b) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

RSM BIRD CAMERON



Canberra, Australian Capital Territory

Dated: 7 October 2015

GED M STENHOUSE

Director

Australian Academy of Science

STATEMENT BY COUNCIL

In the opinion of the Council of the Australian Academy of Science (the Academy):

- (a) the statements of financial performance for the General Funds, General Purpose Capital Funds, Special Purpose Capital Funds and Grant Funds are drawn up to give a true and fair view of the results of the Academy for the year ended 30 June 2015;
- (b) the balance sheet is drawn up to give a true and fair view of the financial position of the Academy as at 30 June 2015; and
- (c) there are reasonable grounds to believe that the Academy will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the council:



A. Holmes
President



O. Mayo
Treasurer

CANBERRA
7th October 2015

Responsible persons' declaration – per section 60.15 of the *Australian Charities and Not-for-profits Commission Regulation 2013*

The responsible person declares that in the responsible persons' opinion: _____

(a) there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable;
and

(b) the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

Andrew B Holmes

Andrew Holmes

President

Dated this 7th day of October 2015

Australian Academy of Science

Balance sheet as at 30 June 2015

	Note	2015 \$	2014 \$
Current assets			
Cash and cash equivalents	18	2,940,783	2,920,735
Investments	3	6,250,000	8,800,000
Receivables	4	6,447	15,177
Interest receivable		1,083,262	837,284
Other receivables and prepayments	5	574,107	251,192
Inventories	6	151,168	203,896
Total current assets		11,005,767	13,028,284
Non-current assets			
Investments	7	41,068,446	36,515,050
Land and buildings	8	2,036,740	2,306,976
Furniture and fittings and equipment	8	788,885	552,542
Total non-current assets		43,894,071	39,374,568
Total assets		54,899,838	52,402,852
Current liabilities			
Payables	9	835,562	846,859
Employee benefit provisions	10	723,528	608,924
Unexpended grants – projects	11	4,816,293	3,292,063
Total current liabilities		6,375,383	4,747,846
Non-current liabilities			
Employee benefit provisions	10	62,906	21,859
Total non-current liabilities		62,906	21,859
Total liabilities		6,438,289	4,769,705
Net assets		48,461,549	47,633,147
Academy funds			
Capital accumulation funds		6,418,782	6,418,782
Special purpose capital funds	13(a)	14,841,786	14,015,470
Available-for-sale investment reserve	13(c)	3,385,320	2,504,371
General funds	13(b)	23,815,661	24,694,524
Total Academy funds		48,461,549	47,633,147

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 11-25.

Australian Academy of Science

Statement of comprehensive income for the year ended 30 June 2015

	Note	2015 \$	2014 \$
Revenue			
Revenue			
Publication revenue	12	1,295,309	2,034,265
Government grants - grant-in-aid	19	1,720,191	1,689,775
Rent and building hire		242,019	195,772
Fellowship revenue		299,741	313,645
Academy special projects		508,028	262,188
Unexpended funds recognised in income		44,457	72,188
Grant income	17 (c)	3,984,009	3,568,694
Donations		436,167	2,035,352
Income			
Investment income	2(g)	3,192,714	2,476,427
Profit on sale of investments		-	1,016,492
Other income		266,632	64,726
Total revenue		11,989,267	13,729,524
Expenditure			
Publication cost of sales		115,750	279,500
Primary Connections development		40,896	126,730
Publication – administration		2,059,425	2,086,490
Administration expenses	19	1,147,447	1,050,356
Building operations		422,292	459,040
Fellowship expenses		477,602	467,810
Projects		135,613	-
International and national relations		704,917	542,070
International exchange operations		152,774	221,708
Grant expenses	17 (c)	3,984,009	3,568,694
Library		61,189	76,145
Science policy		202,741	379,063
Awards and lectures administration costs		39,077	23,774
Events		122,150	109,625
Fundraising		121,964	-
Academy special projects		504,443	319,462
Other Academy funded activities		6,428	33,971
Loss on Sale of investments		73,867	-
Loss on sale of fixed asset		146	-
Brokerage and management fees		98,724	96,112
Impairment loss	16	470,331	-
Depreciation and amortisation	2(b)	524,788	497,929
Projects, lectures, discussions, meetings, awards and administration fees		575,241	860,734
Total expenditure		12,041,814	11,199,213
Total profit (loss) for the year		(52,547)	2,530,311
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		880,949	2,235,756
Total comprehensive income/(loss) for the year		828,402	4,766,067

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 11-25.

Australian Academy of Science

Statement of changes in equity for the year ended 30 June 2015

	capital accumulation funds \$	special purpose funds \$	available-for- sale investment reserve \$	general funds \$	total \$
At 1 July 2013	6,418,782	12,093,421	268,615	24,086,262	42,867,080
<i>Profit/(loss) for the year</i>		1,922,049		608,262	2,530,311
<i>Transfers</i>					-
<i>Unrealised profit/(loss)</i>			2,235,756		2,235,756
At 30 June 2014	6,418,782	14,015,470	2,504,371	24,694,524	47,633,147
<i>Profit/(loss) for the year</i>	-	826,316	-	(878,863)	(52,547)
<i>Transfers</i>		-		-	-
<i>Unrealised profit/(loss)</i>			880,949		880,949
At 30 June 2015	6,418,782	14,841,786	3,385,320	23,815,661	48,461,549
Note		13(a)	13(c)	13(b)	

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 11-25.

Australian Academy of Science

Statement of cash flows for the year ended 30 June 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Income from grants & donations		5,944,406	6,322,179
Other receipts		4,659,263	3,787,381
Expenditure on grants & donations		(3,984,009)	(3,568,694)
Expenditure on customers		(6,956,889)	(6,648,522)
Goods and services tax net amount received		(431,773)	(374,897)
Net cash flows used in operating activities	18 (b)	<u>(769,002)</u>	<u>(482,553)</u>
Cash flows from investing activities			
Investment income received		2,943,452	3,130,023
Proceeds from sale of investments		25,952,588	30,378,192
Acquisition of property, plant and equipment		(491,041)	(340,556)
Acquisition of investments		(27,615,949)	(32,334,832)
Net cash flows from investing activities		<u>789,050</u>	<u>832,827</u>
Net increase/(decrease) in cash held		<u>20,048</u>	<u>350,274</u>
Add: Cash at beginning of financial year		<u>2,920,735</u>	<u>2,570,461</u>
Cash at end of financial year	18 (a)	<u><u>2,940,783</u></u>	<u><u>2,920,735</u></u>

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 11-25.

Notes to the financial statements 30 June 2015

The Australian Academy of Science (the 'Academy') is a Body Corporate and Politic constituted by Royal Charter. The Academy is domiciled in Australia.

Note 1: Basis of Preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Charities and Not-for-profits Commission (ACNC) Act 2012 and the Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB").

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Academy's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates are used in determining the useful lives of assets to calculate the depreciation, 2.5-7 years for plant and equipment and 25 years for buildings.

The provision for short-term and long-term employee benefits make use of estimates. Discounted amounts expected to be paid when the obligation is settled are used. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures. Discount rates used are based on market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Note 2: Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Certain comparative amounts have been reclassified to conform with the current year presentation.

(a) Financial instruments

Non-derivative financial instruments comprise investments in cash and cash equivalents, equity and debt securities, trade receivables, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

The Academy's investment in managed funds, listed shares and listed securities are classified as available-for-sale financial assets. After initial recognition, these assets are measured at fair value and changes there in, other than impairment losses, are recognised as a separate component of equity (the available-for-sale investment reserve). When an investment is derecognised the cumulative gain or loss in equity is transferred to profit and loss.

Held-to-maturity investments

The Academy's investments in commercial bills and term deposits held for greater than three months are classified as 'held-to-maturity' investments. They are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method, less any impairment losses.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(b) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are valued on a cost basis less accumulated depreciation and impairment losses.

Depreciation and amortisation

Depreciation and amortisation are recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

* buildings	25 years
* plant and equipment	2.5 - 7 years

Depreciation and amortisation methods, useful lives and residual values are reassessed at the reporting date.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principles.

(d) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that show similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognition previously in equity is transferred into profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The carrying amount of the Academy's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss.

(e) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (discounted) amounts expected to be paid when the obligation is settled.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

(f) Academy reserves

The Academy maintains a number of separate funds in order to meet payments for lectures, awards and other activities. They are as follows:

Special purpose capital funds

These funds were established following the receipt of donations and bequests to meet the cost of special purpose lectures, awards and other activities, in accordance with the standing order established for each fund.

General funds

These funds form the basis of the administration and operations of the Academy. For 2014-15, this has been combined with the General Purpose Capital Funds which were originally established following the receipt of donations and bequests where the Council of the Academy can at its discretion use the funds received, including interest earnings, to meet the cost of Academy activities and operations.

The 2013-14 figures have been restated by consolidating the General funds and the General Purpose Capital funds for comparative purposes.

Capital accumulation funds

These funds include the Academy's asset revaluation and capital input funds.

Available-for-sale investment reserve

This reserve fund comprises the unrealised profit or loss on the market value of the available-for-sale investments relative to their recognised cost.

(g) Revenue

Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

Goods (publications)

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Investment income

Includes monies received from interest and dividends. Interest income is recognised as it accrues. Dividend income is recognised when the shareholder's right to receive is established.

Grant income

The Academy receives grants from the government and other sources. Grants are treated according to the specifications of the grant funding deed. Grant income and expenses are recognised as specified by each grant funding deed. Grants required to be returned to the funding provider due to specific circumstances are treated as unexpended grants which form part of the liabilities in the balance sheet at the end of the financial year.

At the completion of the grant term where an unexpended balance remains and the Academy is no longer required to acquit the remaining balance to the grant provider, the amount is recognised as income. The amount is recognised in the year it is deemed not required to be repaid.

Donations

Donations are funds or in kind (i.e. shares) received from individuals, trusts and bequests and are recognised on receipt.

Rental income

Rental income is recognised in the income statement on a straight line basis over the term of the lease.

(h) Income tax

The Australian Academy of Science is exempt from paying income tax under S.50B of the Income Tax Assessment Act 1997.

(i) Goods and services tax

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

	Note	2015 \$	2014 \$
Note 3: Investments (current)			
Term deposits and bank bills	16	6,250,000	8,800,000
		<u>6,250,000</u>	<u>8,800,000</u>
Note 4: Receivables			
Gross receivables		6,447	15,177
		<u>6,447</u>	<u>15,177</u>
Note 5: Other receivables and prepayments			
Other accounts receivable		476,044	181,362
Prepayments		98,063	69,830
		<u>574,107</u>	<u>251,192</u>
Note 6: Inventories			
Publication stock at cost		151,168	228,099
Less: provision for obsolete stock		-	(24,203)
		<u>151,168</u>	<u>203,896</u>
Note 7: Investments (non-current)			
Listed securities		3,959,915	5,582,271
Shares in corporations listed on a prescribed stock exchange		32,963,185	27,283,400
Managed funds at 30 June 2015 unit price		4,145,346	3,649,379
		<u>41,068,446</u>	<u>36,515,050</u>

Note 8: Property, plant and equipment

	land and buildings	furniture, fittings and equipment	total
Cost or deemed cost			
Balance at 1 July 2013	6,575,901	2,416,692	8,992,593
Additions	144,152	196,404	340,556
Disposals	-	(41,753)	(41,753)
Balance at 30 June 2014	<u>6,720,053</u>	<u>2,571,343</u>	<u>9,291,396</u>
Balance at 1 July 2014	6,720,053	2,571,343	9,291,396
Additions	34,770	456,271	491,041
Disposals	-	(6,630)	(6,630)
Balance at 30 June 2015	<u>6,754,823</u>	<u>3,020,984</u>	<u>9,775,807</u>
Depreciation and impairment losses			
Balance at 1 July 2013	4,121,970	1,853,732	5,975,702
Depreciation for the year	291,107	206,822	497,929
Disposals	-	(41,753)	(41,753)
Balance at 30 June 2014	<u>4,413,077</u>	<u>2,018,801</u>	<u>6,431,878</u>
Balance at 1 July 2014	4,413,077	2,018,801	6,431,878
Depreciation for the year	305,006	219,782	524,788
Disposals	-	(6,484)	(6,484)
Balance at 30 June 2015	<u>4,718,083</u>	<u>2,232,099</u>	<u>6,950,182</u>
Carrying amounts			
At 1 July 2013	2,453,931	562,960	3,016,891
At 30 June 2014	<u>2,306,976</u>	<u>552,542</u>	<u>2,859,518</u>
At 1 July 2014	2,306,976	552,542	2,859,518
At 30 June 2015	<u>2,036,740</u>	<u>788,885</u>	<u>2,825,625</u>

The Council procured an independent valuation of the land and buildings of the Academy as at 14 April 2011.
The determined values were:

- a. The Shine Dome \$7,190,000
- b. Ian Potter House \$5,100,000

	2015 \$	2014 \$
Note 9: Payables		
Trade creditors	49,297	40,317
Other creditors	539,008	631,132
Goods and services tax	247,257	175,410
	<u>835,562</u>	<u>846,859</u>

Note 10: Employee benefits provisions

Annual leave	332,825	278,761
Long service leave (current)	390,703	330,163
	<u>723,528</u>	<u>608,924</u>
Long service leave (non-current)	62,906	21,859
	<u>62,906</u>	<u>21,859</u>

The Academy employed 48 employees as at 30 June 2015 (2014: 49 employees)

Note 11: Unexpended grants – projects

	2014 \$	funds received \$	funds expenditure \$	2015 \$
Other international projects	2,377,098	1,383,191	1,178,995	2,581,294
IGBP and WCRP	140,139	-	79,019	61,120
Education	203,029	2,516,016	1,603,535	1,115,510
Externally funded projects	571,797	1,245,159	908,075	908,881
Other International Relation	-	2,632	2,632	0
Others	-	361,241	211,753	149,488
Totals	<u>3,292,063</u>	<u>5,508,239</u>	<u>3,984,009</u>	<u>4,816,293</u>

Grant projects were categorised into general activity types in 2006-07 to provide better transparency into the Academy's operations.

Note 12: Gain on sale of publications

	2015 \$	2014 \$
Publications revenue	1,295,309	2,034,265
Less: Cost of sales		
Inventories at beginning of year	(203,896)	(316,612)
Writing and publication costs	(63,022)	(166,784)
	<u>(266,918)</u>	<u>(483,396)</u>
Add: Inventories at end of year	151,168	203,896
Gain on sale of publications	<u>1,179,559</u>	<u>1,754,765</u>

	Note	2015 \$	2014 \$
Note 13: Movements in Academy funds			
(a) Special purpose capital funds			
Balance at beginning of year		14,015,470	12,093,421
Profit for the year	17 (b)	826,316	1,922,049
Balance at end of year		<u>14,841,786</u>	<u>14,015,470</u>
(b) General funds			
Balance at beginning of year		24,694,524	24,086,262
Profit/(loss) for the year	17 (a)	(878,863)	608,262
Balance at end of year		<u>23,815,661</u>	<u>24,694,524</u>
(c) Unrealised profit or loss on available-for-sale investments has been shown as a reserve.			
Balance at beginning of year		2,504,371	268,615
Unrealised profit/(loss) for year		880,949	2,235,756
Balance at end of year		<u>3,385,320</u>	<u>2,504,371</u>
Note 14: Expenditure commitments			
<i>Operating Commitments</i>			
		2015 \$	2014 \$
Operating lease commitments payable:			
Within one year		74,280	37,264
1 – 5 years		37,905	-
		<u>112,185</u>	<u>37,264</u>

Note 15: Financial risk management

Overview

The Academy has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Academy's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Council has overall responsibility for the establishment and oversight of the risk management framework. The Council appoints the Finance Committee which is responsible for developing and monitoring risk management policies. The Treasurer, being a member of the Committee, reports to the Council on its activities.

Risk management policies are established to identify and analyse the risks faced by the Academy, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Academy's activities. The Academy, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Academy if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Academy's receivables from customers and investment securities.

Trade and other receivables

The Academy's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Academy's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 40% (2014: 35%) of the revenue comes from the State and Commonwealth Governments in the form of grants and therefore the credit risk is negligible.

Investments

The Academy limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of at least A2 from Standard & Poor's Ratings Services. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Academy will not be able to meet its financial obligations as they fall due. The Academy's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Academy's reputation.

Apart from balances from unexpended grants, \$4.8m in 2015 (2014: \$3.3m), the Academy has limited exposure to financial liabilities. These unexpended grants are unspent funds related to ongoing projects and would not ordinarily be required to be paid back. The risk of paying back these unspent funds is extremely low. The Academy has no existing lines of credit although it does have access to an overdraft limit of \$100,000 with the Commonwealth Bank (2014: \$100,000).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Academy's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Academy has no exposure to currency risk.

Interest rate risk

The Academy has no interest-bearing borrowings.

Other market price risk

Equity price risk arises from available-for-sale equity securities held. The majority of equity based investments are in managed funds. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Finance Committee.

The primary goal of the Academy's investment strategy is to maximise investment returns in order to build a secure financial base and to provide annual income for current activities; management is assisted by external advisers in this regard. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

Note 16: Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of the Academy's financial assets represents the maximum credit exposure. The Academy's maximum exposure to credit risk at the reporting date was:

	Note	carrying amount	
		2015	2014
		\$	\$
Available-for-sale financial assets	7	41,068,446	30,932,779
Held-to-maturity investments	3	6,250,000	14,382,271
Receivables	4,5	1,565,753	1,033,822
Cash and cash equivalents	18 (a)	2,940,783	2,920,735
		<u>51,824,982</u>	<u>49,269,607</u>

For 2015, the available-for-sale financial assets include hybrid investments worth \$3,959,915 which were classified as held-to-maturity investments in 2014 (\$5,582,271). Hybrid investments were originally intended to be redeemed on maturity. However, in 2015 the Finance Committee changed its view and actively traded the hybrid investments in the current financial year with the view to increasing the investment yield in the Academy's portfolio.

The Academy's maximum exposure to credit risk at the reporting date was \$6,447 (2014: \$15,177) for trade receivables and \$476,044 (2014: \$181,362) for other receivables, totalling \$482,491 (2014: \$196,539).

Impairment losses - financial instruments

	2015	2014
Domestic shares and listed securities	470,331	-
Total impairment losses	<u>470,331</u>	<u>-</u>

\$71,105 of the Academy's receivables are past due (2014: \$111,658). The ageing of the Academy's trade receivables at the reporting date was:

	gross 2015	impairment 2015	gross 2014	impairment 2014
Not past due	1,494,648	-	922,164	-
Past due 0-30 days	61,773	-	76,066	-
Past due 31-120 days	9,332	-	44,392	8,800
	<u>1,565,753</u>	<u>-</u>	<u>1,042,622</u>	<u>8,800</u>

No impairment allowance was recognised in 2015 (2014: \$8,800).

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	carrying amount	contractual cash flows	6 months or less	6-12 months	more than 1 year
Trade and other payables	835,562	-	835,562	-	-
	<u>835,562</u>	<u>-</u>	<u>835,562</u>	<u>-</u>	<u>-</u>

Interest rate risk

Profile

At the reporting date the interest rate profile of the Academy's interest-bearing financial instruments was:

	carrying Amount 2015	2014
Fixed rate instruments		
Financial assets	6,250,000	8,800,000
	<u>6,250,000</u>	<u>8,800,000</u>

Fair value sensitivity analysis for fixed rate instruments

Interest rates range from 2.90% to 3.50% (2014: 3.53% - 3.90%). A change of 100 basis points in interest rates would have increased or decreased the Academy's equity by \$62,500 (2014: \$88,000).

Sensitivity analysis - equity price risk

The Academy's equity investments are invested in various managed funds. A change of 1% in the market where the investments operate translates into a movement of \$410,684 (2014: \$309,328) in the equity with the same impact on profit or loss. The analysis is performed on the same basis for 2014.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	profit or loss		equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2015				
Variable rate instruments	39,599	(39,599)	-	-
Cash flow sensitivity	<u>39,599</u>	<u>(39,599)</u>	<u>-</u>	<u>-</u>
30 June 2014				
Variable rate instruments	55,823	(55,823)	-	-
Cash flow sensitivity	<u>55,823</u>	<u>(55,823)</u>	<u>-</u>	<u>-</u>

Fair values

Fair values versus carrying amounts

The carrying amounts of financial assets and liabilities in the balance sheet are at fair values:

	2015	2014
Available-for-sale financial assets	41,068,446	30,932,779
Held-to-maturity investments	6,250,000	14,382,271
Receivables	1,565,753	1,033,822
Cash and cash equivalents	2,940,783	2,920,735
Trade and other payables	(835,562)	(846,859)
	<u>50,989,420</u>	<u>48,422,748</u>

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Note	level 1	level 2	level 3	total
Available-for-sale financial assets	7	41,068,446	-	-	41,068,446
Held-to-maturity investments	3	6,250,000	-	-	6,250,000
		<u>47,318,446</u>	<u>-</u>	<u>-</u>	<u>47,318,446</u>

Note 17: Income statement

The Academy operates several funds. The consolidated statement eliminates the transfers between funds [see Note 2 (f)].

(a) General funds

**Income statement for general funds
for the year ended 30 June 2015**

	Note	2015 \$	2014 \$
Revenue			
Publication revenue		1,295,309	2,034,265
Government grants - grant-in-aid		1,720,191	1,689,775
Investment income		3,192,714	2,476,427
Profit on sale of investments		-	1,016,492
Rent and building hire		242,019	195,772
Fellowship revenue		299,741	313,645
Academy special projects		508,028	262,188
Other income		266,632	64,726
Unexpended funds recognised in income		44,457	72,188
Total revenue		7,569,090	8,125,478
Expenditure			
Publication cost of sales		115,750	279,500
Primary Connections development		40,896	126,730
Publication – administration		2,059,425	2,086,490
Administration expenses		1,147,447	1,050,356
International and national relations		704,917	542,070
International exchange operations		152,774	221,708
Building operations		422,292	459,040
Fellowship expense		477,602	467,810
Projects		135,613	-
Library		61,189	76,145
Science policy		202,741	379,063
Depreciation	2(b)	500,475	497,929
Amortisation		24,313	-
Awards and lectures administration costs		39,077	23,774
Events		122,150	109,625
Fundraising		121,964	-
Loss on sale of investments		73,867	-
Loss on sale of fixed asset		146	-
Brokerage and management fees		98,724	96,112
Impairment loss	16	470,331	-
Interest transferred out		965,390	747,431
Academy special projects		504,443	319,462
Other Academy-funded activities		6,428	33,971
Total expenditure		8,447,954	7,517,216
Operating profit/(loss) for the year		(878,863)	608,262
Total profit/(loss) for the year		(878,863)	608,262

(b) Special purpose capital funds

**Income statement for special purpose capital funds
for the year ended 30 June 2015**

	Note	2015 \$	2014 \$
Income			
Donations and sponsorships		436,167	2,035,352
Investment income transferred in		965,390	747,431
Total income		<u>1,401,557</u>	<u>2,782,783</u>
Expenditure			
Projects, lectures, discussions, meetings, awards and administration fees		575,241	860,734
Total expenditure		<u>575,241</u>	<u>860,734</u>
Total profit for the year		<u><u>826,316</u></u>	<u><u>1,922,049</u></u>

(c) Grant funds

**Income statement for grant funds
for the year ended 30 June 2015**

	Note	2015 \$	2014 \$
Grants received from government and other sources			
Scientific exchanges – other income and grants		1,383,191	1,390,966
Education		2,516,016	1,554,346
Externally funded		1,609,032	963,612
IGBP & WCRP – government grant		-	377,903
Total before transfer to Unexpended Grants		<u>5,508,239</u>	<u>4,286,827</u>
Transfer to unexpended grants - projects		<u>(1,524,230)</u>	<u>(718,133)</u>
Total grant funds income	11	<u>3,984,009</u>	<u>3,568,694</u>
Expenditure			
Scientific exchanges – other grants		1,178,995	990,713
Education		1,603,536	1,590,473
Externally funded		1,122,460	703,361
IGBP & WCRP – government grant		79,018	284,147
Total funds expenditure	11	<u>3,984,009</u>	<u>3,568,694</u>
Total profit/(loss) for the year		<u><u>-</u></u>	<u><u>-</u></u>

	2015	2014
	\$	\$
Note 18: Statement of cash flows		
(a) Reconciliation of the cash		
Cash balance comprises:		
Bank balances	916,300	1,158,261
Call deposits	2,024,483	1,762,474
Cash on hand and at bank	<u>2,940,783</u>	<u>2,920,735</u>

The Academy's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 15.

(b) Reconciliation of the operating result to the net cash flows from operations

Operating profit/(loss) – general funds	(878,863)	608,262
Operating profit – special purpose capital funds	826,316	1,922,049
Total operating profit/(loss)	<u>(52,547)</u>	<u>2,530,311</u>
Depreciation and amortisation	524,788	497,929
Investment income reinvested	(3,284)	(14,353)
Impairment loss	470,331	-
(Gain)/loss on sale of investments	73,867	(1,016,492)
(Gain)/loss on disposal of furniture, fittings and equipment	146	-
Interest distributed to unexpended grants - projects	-	(47,664)
Investment income classified as a financing activity	(2,943,452)	(3,130,023)

Changes in assets and liabilities

Trade debtors	8,730	15,506
Other debtors and prepayments	(568,893)	(248,987)
Inventory	52,728	112,716
Trade and other creditors	(83,144)	101,455
Employee entitlements	155,651	(35,469)
Goods and services tax payable	71,847	34,385
Unexpended grants	1,524,230	718,133
Net cash flows from operating activities	<u>(769,002)</u>	<u>(482,553)</u>

(c) Bank overdraft facility

The Academy has a bank overdraft facility available to the extent of \$100,000 (2014: \$100,000)

Note 19: Government grants

The Academy received a grant in aid from the Department of Education totalling \$1,720,191 (\$1,689,775 in 2013/2014). Of this grant \$704,917 (2014: \$542,070) was expended on international relations activities and the balance of \$1,015,274 (2014: \$1,147,705) was used to cover administration expenditure of \$1,147,447 (2014: \$1,050,356) among other things.

Note 20: Personnel expenses

Wages and salaries	4,562,855	4,424,450
Other associated personnel expenses	96,437	148,907
Contributions to defined contribution superannuation funds	737,383	713,146
Increase (decrease) in liability for annual leave	7,429	(100,514)
Increase (decrease) in liability for long-service leave	88,747	65,045
Termination benefit	44,798	5,604
	<u>5,537,649</u>	<u>5,256,638</u>

	2015 \$	2014 \$
Note 21: Auditor's remuneration		
Audit of financial statements	28,320	26,525
Other regulatory audit services	5,500	5,000
	<u>33,820</u>	<u>31,525</u>

Note 22: Segment information

The Academy operates predominantly in a single business segment and it promotes, declares and disseminates scientific knowledge both nationally and internationally. The Academy's operational headquarters are located in the ACT, Australia.

Note 23: Key management personnel disclosures

(a) The members of the Academy's Council during the year were:

Professor A B Holmes
Dr O Mayo
Professor R Vincent
Professor I Frazer (retired May 2015)
Dr TJ Higgins (elected May 2015)
Professor I Hume (elected May 2015)
Professor P Koopman
Professor C E Praeger
Professor D de Kretser
Professor C Jagadish
Professor N Joshi (retired May 2015)
Professor P Y Ladiges
Professor J Mattick (elected May 2015)
Professor L Field
Professor M Raupach (Deceased)
Professor S O'Reilly (elected May 2015)
Professor M B Renfree (retired May 2015)
Professor R Shine (retired May 2015)
Professor J S Williams
Professor B Schmidt
Professor S Srinivasan (elected May 2015)
Professor S Von Caemmerer

Executives
Dr Sue Meek

Key Management Personnel
Ben Patterson
Christopher Hatherly
Kylie Walker
Cheryl Peers
Nancy Pritchard
David Kellock
Denis Goodrum

	2015 \$	2014 \$
<i>Executive and Key Management Personnel Compensation</i>		
Short-term employee benefits	1,236,893	1,218,294
Other long-term benefits	-	-
Superannuation	172,350	174,351
	<u>1,409,243</u>	<u>1,392,645</u>

Council members did not receive remuneration for their services.

Expenses incurred by Council members on behalf of the Academy were reimbursed.

(b) No related party transactions occurred during the financial year.

Note 24: Joint arrangement

The Australian Academy of Science or "Academy", represented by its President, is one of four members of the Australian Council of Learned Academies or "ACOLA" ABN 70 116 968 853, an unincorporated association. The ACOLA Secretariat Ltd or "Secretariat" ABN 40 143 536 805 is a public company limited by guarantee that manages the ACOLA. A management agreement is in place between the Secretariat and ACOLA to oversee its operations. The Chief Executive of the Academy is a member of the Secretariat together with the other Chief Executives of the other three Learned Academies.

ACOLA does not receive any funding from the Academy. Any management decisions made by the Secretariat is independent of the Academy. The Academy does not receive any dividends or earnings from the operations of ACOLA however on wind-up, the Academy has equal rights (25%) to assets and liabilities. During normal ongoing operations of ACOLA, the Academy has no such rights to ACOLA's assets and/or liabilities. The Academy does not have control of 25% of the ACOLA operations but acts with the other three Learned Academies to oversee 100% of its operations.