



AUSTRALIAN
ACADEMY
OF SCIENCE
FINANCIAL
REPORT
2015–16

FOR THE YEAR ENDING 30 JUNE 2016

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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 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Council.

Council's Responsibility for the Financial Report

The Council of the entity is 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 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 2016 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 Australia Pty Ltd



Canberra, ACT

GED STENHOUSE

Dated: 5 October 2016

Director

RSM Australia Pty Ltd

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of the Australian Academy of Science for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Australian Pty Ltd



Canberra, Australian Capital Territory
Date: 5 October 2016

GED 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 2016;
- (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 2016; 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
October 2016

Australian Academy of Science

Balance sheet as at 30 June 2016

	Note	2016 \$	2015 \$
Current assets			
Cash and cash equivalents	18	2,647,184	2,940,783
Investments	3	10,350,000	6,250,000
Receivables	4	13,039	6,447
Interest receivable		888,690	1,083,262
Other receivables and prepayments	5	811,339	574,107
Inventories	6	135,531	151,168
Total current assets		14,845,783	11,005,767
Non-current assets			
Investments	7	38,660,033	41,068,446
Land and buildings	8	1,780,739	2,036,740
Furniture and fittings and equipment	8	659,152	788,885
Total non-current assets		41,099,924	43,894,071
Total assets		55,945,707	54,899,838
Current liabilities			
Payables	9	639,852	835,562
Employee benefit provisions	10	750,603	723,528
Unexpended grants – projects	11	6,632,657	4,816,293
Total current liabilities		8,023,112	6,375,383
Non-current liabilities			
Employee benefit provisions	10	60,563	62,906
Total non-current liabilities		60,563	62,906
Total liabilities		8,083,675	6,438,289
Net assets		47,862,032	48,461,549
Academy funds			
Capital accumulation funds		6,418,782	6,418,782
Special purpose capital funds	13(a)	15,064,136	14,841,786
Available-for-sale investment reserve	13(c)	2,953,663	3,385,320
General funds	13(b)	23,425,451	23,815,661
Total Academy funds		47,862,032	48,461,549

The balance sheet is to be read in conjunction with the notes to the financial statements.

Australian Academy of Science

Statement of comprehensive income for the year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenue			
Revenue			
Publication revenue	12	1,254,196	1,295,309
Government grants - grant-in-aid	19	1,749,434	1,720,191
Rent and building hire		252,812	242,019
Fellowship revenue		318,603	299,741
Academy special projects		360,799	508,028
Unexpended funds recognised in income		81,403	44,457
Grant income	17 (c)	5,875,074	3,984,009
Donations		396,313	436,167
Income			
Investment income	2(g)	2,620,147	3,192,714
Profit on sale of investments		321,674	-
Other income		330,475	266,632
Total revenue		13,560,930	11,989,267
Expenditure			
Publication cost of sales		95,009	115,750
Primary Connections development		50,195	40,896
Primary Connections – administration		1,405,028	1,293,305
Publication – administration		621,333	766,120
Administration expenses	19	594,773	1,147,447
Building operations		430,690	422,292
Fellowship expenses		462,718	477,602
Projects		33,440	135,613
International and national relations		638,379	704,917
International exchange operations		122,503	152,774
Grant expenses	17 (c)	5,875,074	3,984,009
Library		21,923	61,189
Science policy		257,220	202,741
Awards and lectures administration costs		40,989	39,077
Events		104,964	122,150
Fundraising		120,972	121,964
Academy special projects		452,775	504,443
Other Academy funded activities		145,992	6,428
Loss on sale of investments		-	73,867
Loss on disposal of fixed asset		98,141	146
Brokerage and management fees		102,490	98,724
Impairment loss	16	925,417	470,331
Depreciation and amortisation	2(b)	521,414	524,788
Projects, lectures, discussions, meetings, awards and administration fees		607,351	575,241
Total expenditure		13,728,790	12,041,814
Total (loss) for the year		(167,860)	(52,547)
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		(431,657)	880,949
Total comprehensive (loss) / income for the year		(599,517)	828,402

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Australian Academy of Science

Statement of changes in equity for the year ended 30 June 2016

	capital accumulation funds	special purpose funds	available-for- sale investment reserve	general funds	total
	\$	\$	\$	\$	\$
At 1 July 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>Unrealised profit/(loss)</i>			880,949		880,949
At 30 June 2015	<u>6,418,782</u>	<u>14,841,786</u>	<u>3,385,320</u>	<u>23,815,661</u>	<u>48,461,549</u>
<i>Profit/(loss) for the year</i>		222,350		(390,210)	(167,860)
<i>Unrealised profit/(loss)</i>			(431,657)		(431,657)
At 30 June 2016	<u>6,418,782</u>	<u>15,064,136</u>	<u>2,953,663</u>	<u>23,425,451</u>	<u>47,862,032</u>
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.

Australian Academy of Science

Statement of cash flows for the year ended 30 June 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Income from grants & donations		8,087,751	5,944,406
Other receipts		5,143,094	4,659,263
Expenditure on grants & donations		(5,875,074)	(3,984,009)
Expenditure on customers		(6,885,466)	(6,956,889)
Goods and services tax net amount received		(617,815)	(431,773)
Net cash flows used in operating activities	18 (b)	<u>(147,510)</u>	<u>(769,002)</u>
Cash flows from investing activities			
Investment income received		2,814,719	2,943,452
Proceeds from sale of investments		17,047,477	25,952,588
Acquisition of property, plant and equipment		(233,821)	(491,041)
Acquisition of investments		(19,774,464)	(27,615,949)
Net cash flows from investing activities		<u>(146,089)</u>	<u>789,050</u>
Net increase/(decrease) in cash held		<u>(293,599)</u>	<u>20,048</u>
Add: Cash at beginning of financial year		<u>2,940,783</u>	<u>2,920,735</u>
Cash at end of financial year	18 (a)	<u>2,647,184</u>	<u>2,940,783</u>

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

Notes to the financial statements 30 June 2016

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. From 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.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2016. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The company will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the company.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The company will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the company.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The company will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the company.

	Note	2016 \$	2015 \$
Note 3: Investments (current)			
Term deposits and bank bills	16	10,350,000	6,250,000
		<u>10,350,000</u>	<u>6,250,000</u>
Note 4: Receivables			
Gross receivables		13,039	6,447
		<u>13,039</u>	<u>6,447</u>
Note 5: Other receivables and prepayments			
Other accounts receivable		659,966	476,044
Prepayments		151,373	98,063
		<u>811,339</u>	<u>574,107</u>
Note 6: Inventories			
Publication stock at cost		135,531	151,168
		<u>135,531</u>	<u>151,168</u>
Note 7: Investments (non-current)			
Listed securities		3,900,830	3,959,915
Shares in corporations listed on a prescribed stock exchange		33,143,661	32,963,185
Managed funds at 30 June 2016 unit price		1,615,542	4,145,346
		<u>38,660,033</u>	<u>41,068,446</u>

Note 8: Property, plant and equipment

	land and buildings	furniture, fittings and equipment	total
Cost or deemed cost			
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>
Balance at 1 July 2015	6,754,823	3,020,984	9,775,807
Additions	56,604	174,162	230,766
Disposals	-	(121,954)	(121,954)
Balance at 30 June 2016	<u>6,811,427</u>	<u>3,073,192</u>	<u>9,884,619</u>
Depreciation and impairment losses			
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>
Balance at 1 July 2015	4,718,083	2,232,099	6,950,182
Depreciation for the year	312,605	208,809	521,414
Disposals	-	(26,868)	(26,868)
Balance at 30 June 2016	<u>5,030,688</u>	<u>2,414,040</u>	<u>7,444,728</u>
Carrying amounts			
At 1 July 2014	<u>2,306,976</u>	<u>552,542</u>	<u>2,859,518</u>
At 30 June 2015	<u>2,036,740</u>	<u>788,885</u>	<u>2,825,625</u>
At 1 July 2015	<u>2,036,740</u>	<u>788,885</u>	<u>2,825,625</u>
At 30 June 2016	<u>1,780,739</u>	<u>659,152</u>	<u>2,439,891</u>

The Council procured an independent valuation of the land and buildings of the Academy as at 30 June 2016.
The determined values were:

- a. The Shine Dome \$7,050,000 (including land valued at \$950,000)
- b. Ian Potter House \$4,700,000 (including land valued at \$760,000)

	2016 \$	2015 \$
Note 9: Payables		
Trade creditors	57,709	49,297
Other creditors	284,332	539,008
Goods and services tax	297,811	247,257
	<u>639,852</u>	<u>835,562</u>

Note 10: Employee benefits provisions

Annual leave	336,127	332,825
Long service leave (current)	414,476	390,703
	<u>750,603</u>	<u>723,528</u>
Long service leave (non-current)	60,563	62,906
	<u>60,563</u>	<u>62,906</u>

The Academy employed 58 employees as at 30 June 2016 (2015: 48 employees)

Note 11: Unexpended grants – projects

	2015 \$	funds received \$	funds expenditure \$	transfers \$	2016 \$
Other international projects	2,581,294	1,165,934	1,136,410	(8,472)	2,602,346
Education	1,115,510	4,319,140	2,807,844	-	2,626,806
Externally funded projects	970,001	1,880,192	1,638,839	-	1,211,354
Other International Relation	-	-	681	8,472	7,791
Others	149,488	326,172	291,300	-	184,360
Totals	<u>4,816,293</u>	<u>7,691,438</u>	<u>5,875,074</u>	<u>-</u>	<u>6,632,657</u>

Note 12: Gain on sale of publications

	2016 \$	2015 \$
Publications revenue	1,254,196	1,295,309
Less: Cost of sales		
Inventories at beginning of year	(151,168)	(203,896)
Writing and publication costs	(79,372)	(63,022)
	<u>(230,540)</u>	<u>(266,918)</u>
Add: Inventories at end of year	135,531	151,168
Gain on sale of publications	<u>1,159,187</u>	<u>1,179,559</u>

	Note	2016 \$	2015 \$
Note 13: Movements in Academy funds			
(a) Special purpose capital funds			
Balance at beginning of year		14,841,786	14,015,470
Profit for the year	17 (b)	222,350	826,316
Balance at end of year		<u>15,064,136</u>	<u>14,841,786</u>
(b) General funds			
Balance at beginning of year		23,815,661	24,694,524
Profit/(loss) for the year	17 (a)	(390,210)	(878,863)
Balance at end of year		<u>23,425,451</u>	<u>23,815,661</u>
(c) Unrealised profit or loss on available-for-sale investments has been shown as a reserve.			
Balance at beginning of year		3,385,320	2,504,371
Unrealised profit/(loss) for year		(431,657)	880,949
Balance at end of year		<u>2,953,663</u>	<u>3,385,320</u>
Note 14: Expenditure commitments			
<i>Operating Commitments</i>			
		2016	2015
		\$	\$
Operating lease commitments payable:			
Within one year		46,539	74,280
1 – 5 years			37,905
		<u>46,539</u>	<u>112,185</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 47% (2015: 40%) 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, \$6.6m in 2016 (2015: \$4.8m), 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 (2015: \$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	
		2016	2015
		\$	\$
Available-for-sale financial assets	7	38,660,033	41,068,446
Held-to-maturity investments	3	10,350,000	6,250,000
Receivables	4,5	1,561,695	1,565,753
Cash and cash equivalents	18 (a)	2,647,184	2,940,783
		<u>53,218,912</u>	<u>51,824,982</u>

The Academy's maximum exposure to credit risk at the reporting date was \$13,039 (2015: \$6,447) for trade receivables and \$659,966 (2015: \$476,044) for other receivables, totalling \$673,005 (2015: \$482,491).

Impairment losses - financial instruments

	2016	2015
Domestic shares and listed securities	925,417	470,331
Total impairment losses	<u>925,417</u>	<u>470,331</u>

\$181,376 of the Academy's receivables are past due (2015: \$71,105). The ageing of the Academy's trade receivables at the reporting date was:

	gross 2016	impairment 2016	gross 2015	impairment 2015
Not past due	1,380,319	-	1,494,648	-
Past due 0-30 days	140,181	-	61,773	-
Past due 31-120 days	41,195	-	9,332	-
	<u>1,561,695</u>	<u>-</u>	<u>1,565,753</u>	<u>-</u>

No impairment allowance was recognised in 2016 (2015: nil).

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	639,852	-	639,852	-	-
	<u>639,852</u>	<u>-</u>	<u>639,852</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	
	2016	2015
Fixed rate instruments		
Financial assets	10,350,000	6,250,000
Financial liabilities	-	-
	<u>10,350,000</u>	<u>6,250,000</u>

Fair value sensitivity analysis for fixed rate instruments

Interest rates range from 2.90% to 3.10% (2015: 2.90% - 3.50%). A change of 100 basis points in interest rates would have increased or decreased the Academy's equity by \$103,500 (2015: \$62,500).

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 \$386,600 (2015: \$410,684) in the equity with the same impact on profit or loss. The analysis is performed on the same basis for 2015.

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 2015.

	<u>profit or loss</u>		<u>equity</u>	
	<u>100bp increase</u>	<u>100bp decrease</u>	<u>100bp increase</u>	<u>100bp decrease</u>
30 June 2016				
Variable rate instruments	39,008	(39,008)	-	-
Cash flow sensitivity	<u>39,008</u>	<u>(39,008)</u>	<u>-</u>	<u>-</u>
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>

Fair values

Fair values versus carrying amounts

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

	<u>2016</u>	<u>2015</u>
Available-for-sale financial assets	38,660,033	41,068,446
Held-to-maturity investments	10,350,000	6,250,000
Receivables	1,561,695	1,565,753
Cash and cash equivalents	2,647,184	2,940,783
Trade and other payables	(639,852)	(835,562)
	<u>52,579,060</u>	<u>50,989,420</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).

	<u>Note</u>	<u>level 1</u>	<u>level 2</u>	<u>level 3</u>	<u>total</u>
Available-for-sale financial assets	7	38,660,033	-	-	38,660,033
Held-to-maturity investments	3	10,350,000	-	-	10,350,000
		<u>49,010,033</u>	<u>-</u>	<u>-</u>	<u>49,010,033</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 2016**

	Note	2016 \$	2015 \$
Revenue			
Publication revenue		1,254,196	1,295,309
Government grants - grant-in-aid		1,749,434	1,720,191
Investment income		2,620,147	3,192,714
Profit on sale of investments		321,674	-
Rent and building hire		252,812	242,019
Fellowship revenue		318,603	299,741
Academy special projects		360,799	508,028
Other income		330,475	266,632
Unexpended funds recognised in income		81,403	44,457
Total revenue		<u>7,289,543</u>	<u>7,569,091</u>
Expenditure			
Publication cost of sales		95,009	115,750
Primary Connections development		50,195	40,896
Primary Connections – administration		1,405,028	1,293,305
Publication – administration		621,333	766,120
Administration expenses		594,773	1,147,447
International and national relations		638,379	704,917
International exchange operations		122,503	152,774
Building operations		430,690	422,292
Fellowship expense		462,718	477,602
Projects		33,440	135,613
Library		21,923	61,189
Science policy		257,220	202,741
Depreciation	2(b)	451,865	500,475
Amortisation		69,549	24,313
Awards and lectures administration costs		40,989	39,077
Events		104,964	122,150
Fundraising		120,972	121,964
Loss on sale of investments		-	73,867
Loss on sale of fixed asset		98,141	146
Brokerage and management fees		102,490	98,724
Impairment loss	16	925,417	470,331
Interest transferred out		433,388	965,390
Academy special projects		452,775	504,443
Other Academy-funded activities		145,992	6,428
Total expenditure		<u>7,679,753</u>	<u>8,447,954</u>
Operating profit/(loss) for the year		(390,210)	(878,863)
Total profit/(loss) for the year		<u><u>(390,210)</u></u>	<u><u>(878,863)</u></u>

(b) Special purpose capital funds

**Income statement for special purpose capital funds
for the year ended 30 June 2016**

	Note	2016 \$	2015 \$
Income			
Donations and sponsorships		396,313	436,167
Investment income transferred in		433,388	965,390
Total income		<u>829,701</u>	<u>1,401,557</u>
Expenditure			
Projects, lectures, discussions, meetings, awards and administration fees		607,351	575,241
Total expenditure		<u>607,351</u>	<u>575,241</u>
Total profit for the year		<u><u>222,350</u></u>	<u><u>826,316</u></u>

(c) Grant funds

**Income statement for grant funds
for the year ended 30 June 2016**

	Note	2016 \$	2015 \$
Grants received from government and other sources			
Scientific exchanges – other income and grants		1,165,934	1,383,191
Education		4,319,140	2,516,016
Externally funded		2,266,454	1,609,032
IGBP & WCRP – government grant		(60,090)	-
Total before transfer to Unexpended Grants		<u>7,691,438</u>	<u>5,508,239</u>
Transfer to unexpended grants - projects		(1,816,364)	(1,524,230)
Total grant funds income	11	<u>5,875,074</u>	<u>3,984,009</u>
Expenditure			
Scientific exchanges – other grants		1,136,410	1,178,995
Education		2,807,845	1,603,536
Externally funded		1,929,789	1,122,460
IGBP & WCRP – government grant		1,030	79,018
Total funds expenditure	11	<u>5,875,074</u>	<u>3,984,009</u>
Total profit/(loss) for the year		<u><u>-</u></u>	<u><u>-</u></u>

	2016 \$	2015 \$
Note 18: Statement of cash flows		
(a) Reconciliation of the cash		
Cash balance comprises:		
Bank balances	988,388	916,300
Call deposits	1,658,796	2,024,483
Cash on hand and at bank	<u>2,647,184</u>	<u>2,940,783</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	(390,210)	(878,863)
Operating profit – special purpose capital funds	222,350	826,316
Total operating profit	<u>(167,860)</u>	<u>(52,547)</u>
Depreciation and amortisation	521,414	524,788
Investment income reinvested	-	(3,284)
Impairment loss	925,417	470,331
(Gain)/loss on sale of investments	(321,674)	73,867
(Gain)/loss on disposal of furniture, fittings and equipment	98,141	146
Interest distributed to unexpended grants - projects	-	-
Investment income classified as a financing activity	(2,814,719)	(2,943,452)

Changes in assets and liabilities

Trade debtors	(6,592)	8,730
Other debtors and prepayments	(42,660)	(568,893)
Inventory	15,637	52,728
Trade and other creditors	(246,264)	(83,144)
Employee entitlements	24,732	155,651
Goods and services tax payable	50,554	71,847
Unexpended grants	1,816,364	1,524,230
Net cash flows from operating activities	<u>(147,510)</u>	<u>(769,002)</u>

(c) Bank overdraft facility

The Academy has a bank overdraft facility available to the extent of \$100,000 (2015: \$100,000)

Note 19: Government grants

The Academy received a grant in aid from the Department of Education totalling \$1,749,434 (\$1,720,191 in 2014/2015). Of this grant \$638,379 (2015: \$704,917) was expended on international relations activities and the balance of \$1,111,055 (2015: \$1,015,274) was used to cover administration expenditure of \$1,490,662 (2015: \$1,147,447) among other things.

Note 20: Personnel expenses

Wages and salaries	5,310,969	4,562,855
Other associated personnel expenses	100,862	96,437
Contributions to defined contribution superannuation funds	797,075	737,383
Increase (decrease) in liability for annual leave	3,302	7,429
Increase (decrease) in liability for long-service leave	21,430	88,747
Termination benefit	125,563	44,798
	<u>6,359,201</u>	<u>5,537,649</u>

	2016 \$	2015 \$
Note 21: Auditor's remuneration		
Audit of financial statements	25,000	28,320
Other regulatory audit services	2,000	5,500
	<u>27,000</u>	<u>33,820</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 (retired May 2016)
Dr T J Higgins
Professor P Koopman (retired May 2016)
Professor C E Praeger
Professor D Kretser
Professor C Jagadish (retired May 2016)
Professor P Y Ladiges
Professor L Field
Professor R Shine (retired May 2016)
Professor J S Williams
Professor B Schmidt (retired May 2016)
Professor S Von Caemmerer
Professor S O'Reilly
Dr S Rintoul
Professor E Sadler
Professor S Sloan
Professor M Srinivasan
Professor S Berkovic
Professor I Hume
Professor J Mattick

Executives

Dr Sue Meek

Key Management Personnel

Ben Patterson
Christopher Hatherly
Kylie Walker
Cheryl Peers
Nancy Pritchard
David Kellock
Denis Goodrum
Wafa El-Adhami
Stephen Thornton

Executive and Key Management Personnel Compensation

	2016 \$	2015 \$
Short-term employee benefits	1,413,408	1,236,893
Other long-term benefits	-	-
Superannuation	197,023	172,350
Termination benefits	8,181	-
	<u>1,618,612</u>	<u>1,409,244</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.