

**COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION**  
**Financial Statements**

*for the period ended 30 June 2016*

**COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION  
STATEMENT BY THE CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER**

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and its subsidiaries will be able to pay its debts as and when they fall due.

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



**David Thodey**

Chairman of the Board

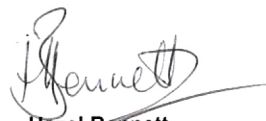
8 September 2016



**Larry Marshall**

Chief Executive and Board Member

8 September 2016



**Hazel Bennett**

Chief Finance Officer

8 September 2016

**CONSOLIDATED FINANCIAL STATEMENTS**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the period ended 30 June 2016

	Notes	Consolidated		CSIRO	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>NET COST OF SERVICES</b>					
<b>Expenses</b>					
Employee benefits	1.1A	730,863	664,584	689,293	664,129
Suppliers	1.1B	438,848	433,012	403,278	416,375
Depreciation and amortisation	2.2A	168,878	146,094	168,431	146,041
Finance leases		2,201	2,535	2,178	2,521
Write-down and impairment of assets	1.1C	4,083	15,795	4,083	15,795
Foreign exchange losses - non-speculative		-	254	-	250
Losses from asset sales		3,352	905	3,362	905
<b>Total expenses</b>		<b>1,348,225</b>	<b>1,263,179</b>	<b>1,270,625</b>	<b>1,246,016</b>
<b>Own-Source Income</b>					
<b>Own-source revenue</b>					
Sale of goods and rendering of services	1.2	420,607	370,648	369,214	377,473
Interest - bank and term deposits	1.2	9,296	12,946	6,457	9,707
Rental income	1.2	9,409	8,633	8,129	8,633
Royalties and licence fees	1.2	59,832	60,809	59,749	60,809
Other revenues	1.2	29,480	22,630	18,970	22,153
<b>Total own-source revenue</b>		<b>528,624</b>	<b>475,666</b>	<b>462,519</b>	<b>478,775</b>
<b>Gains</b>					
Gain on recognition of assets		-	6,722	-	6,722
Foreign exchange gains - non-speculative	1.2	293	-	267	-
Gain on revaluation of investment properties	1.2	929	1,004	929	1,004
<b>Total gains</b>		<b>1,222</b>	<b>7,726</b>	<b>1,196</b>	<b>7,726</b>
<b>Total own-source income</b>		<b>529,846</b>	<b>483,392</b>	<b>463,715</b>	<b>486,501</b>
<b>Net cost of services</b>		<b>(818,379)</b>	<b>(779,787)</b>	<b>(806,910)</b>	<b>(759,515)</b>
<b>Revenue from Government</b>	1.2	<b>750,281</b>	<b>745,268</b>	<b>750,281</b>	<b>745,268</b>
Share of net operating surplus/(deficit) of joint venture accounted for using equity method		(10)	(300)	(10)	(300)
<b>Surplus on continuing operation</b>		<b>750,271</b>	<b>744,968</b>	<b>750,271</b>	<b>744,968</b>
<b>Surplus/(Deficit)</b>		<b>(68,108)</b>	<b>(34,819)</b>	<b>(56,639)</b>	<b>(14,547)</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items not subject to subsequent reclassification to net cost of services</b>					
Increase/(decrease) in asset revaluation reserves	1.3A	(1,848)	42,078	(7,664)	42,078
<b>Items subject to subsequent reclassification to net cost of services</b>					
Increase/(decrease) in other reserves	1.3B	(959)	(2,246)	(915)	(2,269)
<b>Total other comprehensive income</b>		<b>(2,807)</b>	<b>39,832</b>	<b>(8,579)</b>	<b>39,809</b>
<b>Total comprehensive income/(loss)</b>		<b>(70,915)</b>	<b>5,013</b>	<b>(65,218)</b>	<b>25,262</b>

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION**  
For the period ended 30 June 2016

	Notes	Consolidated		CSIRO	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>ASSETS</b>					
<b>Financial Assets</b>					
Cash and cash equivalents		302,096	267,129	176,827	182,331
Trade and other receivables	2.1A	57,859	73,482	51,723	69,453
Investments accounted for using the equity method	2.1B	-	10	-	10
Other investments	2.1C	21,386	12,601	49,446	12,601
<b>Total financial assets</b>		<b>381,341</b>	<b>353,222</b>	<b>277,996</b>	<b>264,395</b>
<b>Non-Financial Assets</b>					
Land and buildings	2.2A	1,605,336	1,604,300	1,601,668	1,604,300
Plant and equipment	2.2A	580,878	597,147	575,475	596,703
Heritage and cultural	2.2A	4,206	4,206	4,206	4,206
Intangibles	2.2A	20,687	21,377	20,680	21,377
Investment properties	2.2B	50,222	49,292	50,222	49,292
Inventories		1,334	1,235	1,334	1,235
Other non-financial assets	2.2C	45,868	115,810	45,848	115,779
<b>Total non-financial assets</b>		<b>2,308,531</b>	<b>2,393,367</b>	<b>2,299,433</b>	<b>2,392,892</b>
Properties held for sale		5,200	5,200	5,200	5,200
<b>Total assets</b>		<b>2,695,072</b>	<b>2,751,789</b>	<b>2,582,629</b>	<b>2,662,487</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	2.3A	62,176	111,505	60,135	110,539
Other payables	2.3B	127,820	146,877	122,224	140,275
<b>Total payables</b>		<b>189,996</b>	<b>258,382</b>	<b>182,359</b>	<b>250,814</b>
<b>Interest Bearing Liabilities</b>					
Leases	2.4A	42,022	48,725	42,022	48,725
Deposits	2.4B	5,798	5,559	6,848	6,609
<b>Total interest bearing liabilities</b>		<b>47,820</b>	<b>54,284</b>	<b>48,870</b>	<b>55,334</b>
<b>Provisions</b>					
Employee provisions	4.1A	238,734	201,185	231,671	201,095
Provision for remediation		29,703	-	29,703	-
<b>Total provisions</b>		<b>268,437</b>	<b>201,185</b>	<b>261,374</b>	<b>201,095</b>
<b>Total liabilities</b>		<b>506,253</b>	<b>513,851</b>	<b>492,603</b>	<b>507,243</b>
<b>Net assets</b>		<b>2,188,819</b>	<b>2,237,938</b>	<b>2,090,026</b>	<b>2,155,244</b>
<b>EQUITY</b>					
Contributed equity		270,954	270,954	270,646	270,646
Asset revaluation reserves		1,387,548	1,389,396	1,381,732	1,389,396
Other reserves		(1,704)	(745)	(1,683)	(768)
Retained surplus		532,021	578,333	439,331	495,970
<b>Total equity</b>		<b>2,188,819</b>	<b>2,237,938</b>	<b>2,090,026</b>	<b>2,155,244</b>

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY – CONSOLIDATED**  
For the period ended 30 June 2016

	Retained earnings		Asset revaluation reserve		Other reserves		Contributed equity/capital		Total equity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Opening balance</b>	<b>578,333</b>	613,152	<b>1,389,396</b>	1,347,318	<b>(745)</b>	1,501	<b>270,954</b>	268,520	<b>2,237,938</b>	2,230,491
<b>Comprehensive income</b>										
Other comprehensive income <sup>1</sup>	-	-	<b>(1,848)</b>	42,078	<b>(959)</b>	(2,246)	-	-	<b>(2,807)</b>	39,832
Surplus/(deficit) for the period	<b>(68,108)</b>	(34,819)	-	-	-	-	-	-	<b>(68,108)</b>	(34,819)
<b>Total comprehensive income</b>	<b>(68,108)</b>	(34,819)	<b>(1,848)</b>	42,078	<b>(959)</b>	(2,246)	-	-	<b>(70,915)</b>	5,013
Other Movements <sup>2</sup>	<b>21,796</b>								<b>21,796</b>	-
<b>Contributions by owners</b>										
Equity injection	-	-	-	-	-	-	-	2,326	-	2,326
Contributions by owners – other	-	-	-	-	-	-	-	108	-	108
<b>Closing balance</b>	<b>532,021</b>	578,333	<b>1,387,548</b>	1,389,396	<b>(1,704)</b>	(745)	<b>270,954</b>	270,954	<b>2,188,819</b>	2,237,938

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

1. See Note 1.3.
2. Other movements includes the first time recognition of NICTA's opening balance (\$21m)

**Accounting Policy**

Equity Injections

Amounts that are designated as equity injections for a year are recognised directly in contributed equity in that year.

**CONSOLIDATED FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY – CSIRO**  
*For the period ended 30 June 2016*

	Retained earnings		Asset revaluation reserve		Other reserves		Contributed equity/capital		Total equity	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Opening balance</b>	<b>495,970</b>	510,517	<b>1,389,396</b>	1,347,318	<b>(768)</b>	1,501	<b>270,646</b>	268,320	<b>2,155,244</b>	2,127,656
<b>Comprehensive income</b>										
Other comprehensive income <sup>1</sup>	-	-	<b>(7,664)</b>	42,078	<b>(915)</b>	(2,269)	-	-	<b>(8,579)</b>	39,809
Surplus/(deficit) for the period	<b>(56,639)</b>	(14,547)	-	-	-	-	-	-	<b>(56,639)</b>	(14,547)
<b>Total comprehensive income</b>	<b>(56,639)</b>	(14,547)	<b>(7,664)</b>	42,078	<b>(915)</b>	(2,269)	-	-	<b>(65,218)</b>	25,262
<b>Contributions by owners</b>										
Equity injection	-	-	-	-	-	-	-	2,326	-	2,326
Contributions by owners – other	-	-	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>439,331</b>	495,970	<b>1,381,732</b>	1,389,396	<b>(1,683)</b>	(768)	<b>270,646</b>	270,646	<b>2,090,026</b>	2,155,244

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

1. See Note 1.3.

**CONSOLIDATED FINANCIAL STATEMENTS**  
**CASH FLOW STATEMENT**

*For the period ended 30 June 2016*

	Notes	Consolidated		CSIRO	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Receipts from Government		750,281	745,268	750,281	745,268
Sale of goods and rendering of services		569,472	500,703	502,667	506,454
Interest		10,172	12,140	7,036	8,906
Net GST received		30,603	8,913	29,273	16,013
<b>Total cash received</b>		<b>1,360,528</b>	<b>1,267,024</b>	<b>1,289,257</b>	<b>1,276,641</b>
<b>Cash used</b>					
Employees		717,786	724,123	677,383	723,534
Suppliers		526,043	468,036	477,987	461,879
Finance costs		2,201	2,535	2,178	2,521
Deposits		78	7,989	78	6,939
<b>Total cash used</b>		<b>1,246,108</b>	<b>1,202,683</b>	<b>1,157,626</b>	<b>1,194,873</b>
<b>Net cash from operating activities</b>	3.1	<b>114,420</b>	<b>64,341</b>	<b>131,631</b>	<b>81,768</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from sales of property, plant and equipment		464	3,294	463	3,294
Proceeds from sales of equity investments and intellectual property		-	1,108	-	1,108
<b>Total cash received</b>		<b>464</b>	<b>4,402</b>	<b>463</b>	<b>4,402</b>
<b>Cash used</b>					
Purchase of property, plant and equipment		102,839	167,647	100,004	167,273
Equity investments		848	1,343	30,848	1,344
Other selling costs		43	477	43	477
<b>Total cash used</b>		<b>103,730</b>	<b>169,467</b>	<b>130,895</b>	<b>169,094</b>
<b>Net cash used in investing activities</b>		<b>(103,266)</b>	<b>(165,065)</b>	<b>(130,432)</b>	<b>(164,692)</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Contributed equity		-	2,326	-	2,326
<b>Total cash received</b>		<b>-</b>	<b>2,326</b>	<b>-</b>	<b>2,326</b>
<b>Cash used</b>					
Payment to the Commonwealth		-	27,896	-	27,896
Finance leases		6,703	4,750	6,703	4,750
<b>Total cash used</b>		<b>6,703</b>	<b>32,646</b>	<b>6,703</b>	<b>32,646</b>
<b>Net cash from financing activities</b>		<b>(6,703)</b>	<b>(30,320)</b>	<b>(6,703)</b>	<b>(30,320)</b>
<b>Net increase (decrease) in cash held</b>		<b>4,451</b>	<b>(131,044)</b>	<b>(5,504)</b>	<b>(113,244)</b>
Cash and cash equivalents at the beginning of the reporting period		267,129	398,173	182,331	295,575
Transition of opening balance of NICTA cash and cash equivalents		30,516	-	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>302,096</b>	<b>267,129</b>	<b>176,827</b>	<b>182,331</b>

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
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## CONSOLIDATED FINANCIAL STATEMENTS NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Overview

#### Objectives of the CSIRO and its Subsidiaries (the Group)

CSIRO is an Australian Government controlled not-for-profit entity and is classified as a Corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013*. CSIRO is a research enterprise that aims to deliver great science and innovative solutions for industry, society and the environment.

CSIRO is structured to meet the following outcome:

Innovative scientific and technology solutions to national challenges and opportunities to benefit industry, the environment and the community, through scientific research and capability development, services and advice.

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

#### The Basis of Preparation

The financial statements are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* and are general purpose financial statements.

CSIRO and the Group's Consolidated Financial Statements have been prepared in accordance with:

- Financial Reporting Rule (FRR) for reporting periods ending on or after 1 July 2015; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

#### Key Judgements and Estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates and assumptions to future events. Information around judgements and estimates which are material to the financial statements are found in the following notes:

- Note 4.1 Employee Provisions
- Note 5.3 Fair Value Measurements

In 2015-16, CSIRO raised a provision (under other provisions) for remediation costs required at a remote CSIRO location, based on estimates provided by internal and external qualified experts. The provision is predominantly based on externally provided costings, with additional amounts derived from comparable remediation works. The provision is based on the scope of work as it currently stands. As the remediation process progresses, the scope and costs may be subject to change. The work is expected to take several years to reach completion. This is further discussed below under Significant Changes in the Reporting Period.

#### Consolidation

The consolidated financial statements comprise the financial statements of the CSIRO and its subsidiaries (referred to as 'the Group'). CSIRO's subsidiaries are WLAN Services Pty Ltd (WLAN), Science and Industry Endowment Fund (SIEF), the CSIRO Chile Research Fundación (Fundación), National ICT Australia (NICTA), General Partner Co Pty Ltd (GPCo) and CSIRO Fund of Funds (AFOF). Refer to Note 4.6 for further information.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by CSIRO as at 30 June and the results of the controlled entities for the year then ended. Subsidiaries are consolidated from the date on which control is obtained through to the date on which control ceases. The Group applies consistent accounting policies and the effects of all transactions and balances between the entities are eliminated in full.

**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Foreign Currency Translation**

The functional currency of CSIRO and its Australian subsidiaries is Australian dollars. The Group has one overseas subsidiary, the Fundación. On consolidation, that entity's:

- assets and liabilities are translated into Australian dollars at the rate of exchange prevailing at the reporting date; and
- the statement of comprehensive income is translated at average exchange rate.

The exchange rate differences arising are recognised in the net cost of services.

**New Australian Accounting Standards**

Adoption of new Australian Accounting Standard requirements

No Accounting Standard has been adopted earlier than the application date as stated in the standard. CSIRO has reviewed new standards, revised standards and interpretations/amending standards issued prior to the signing of the financial statements and considers that none of these have had a material financial impact.

Future Australian Accounting Standard requirements

No new or revised pronouncements were issued by the Australian Accounting Standards Board prior to the finalisation of the financial statements which are expected to have a material financial impact on the entity in future reporting periods. The following new or revised standards will be adopted and their implementation will require enhanced disclosure in future reporting periods:

Standard	Effective for reporting periods beginning on or after:	Nature of impending changes and likely impact on application
AASB 124 <i>Related Parties Disclosures</i>	1 July 2016	Requires reporting of related party transactions with ministers and key management personnel. Minor impact with increased disclosures around related parties.
AASB 9 <i>Financial Instruments</i>	1 January 2018	Change to requirements for classifying and measuring financial assets and liabilities. May have a moderate impact on the recognition and measurement of financial instruments.
AASB 15 <i>Revenue from Contracts with Customers</i>	1 January 2018	Specifies the accounting treatment of revenue arising from contracts with customers. CSIRO considers this will have minimal impact.
AASB 16 <i>Leases</i>	1 January 2019	Moderate impact as a new accounting standard which requires assessment of all operating and finance leases.

**Taxation**

In accordance with Section 53 of the *Science and Industry Research Act 1949*, CSIRO is exempt from all forms of Australian taxation except the fringe benefits tax (FBT) and the goods and services tax (GST). The Group pays applicable taxes in overseas countries.

Revenues, expenses, assets and liabilities are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

The SIEF is exempt from income tax in Australia. WLAN is subject to all applicable taxes in Australia and the Fundación is subject to all applicable taxes in Chile. NICTA is exempt from income tax however NICTA's subsidiaries (including NICTA IPR Pty Ltd) are subject to applicable taxes in Australia.

**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Significant Changes in the Reporting Period**

On 28 August 2015, the members of National ICT Australia Limited (NICTA) resolved to adopt a revised company constitution which provides CSIRO with effective control of NICTA. Due to this decision, NICTA's accounts have been included in the consolidated Group's accounts for the first time in 2015-16. The accounts for NICTA have been included for the period since effective control took place on 28 August 2015 to 30 June 2016. The impact of this additional entity to the Group can be seen throughout the financial statement note disclosures and the increases to the current year consolidated figures.

As part of the National Innovation and Science Agenda announced by the Australian Government in December 2015, CSIRO has established an Innovation Fund to invest in the development of early stage technology opportunities from the public research sector, to increase their translation into commercial opportunities to be taken up by Australian industry. CSIRO invested \$30m into the fund in 2015-16. The Australian Government has committed to invest a further \$70m over the next 10 years into the Fund.

During 2015-16 ongoing work with regulatory bodies has identified the need for remediation works to be undertaken on waste material at a remote facility. A provision of \$29.7m (under other provisions) has been raised in 2016, which reflects the estimated costs associated with the remediation. The assumptions used to value the provision have been provided above under Key Judgements and Estimates.

**Events after the Reporting Period**

CSIRO is exploring future possibilities for the Ginninderra Field Station, a 701 hectare area of land which CSIRO owns in north Canberra. Due to rapid urban growth in the surrounding area, the site has become under-utilised and the field station requires relocation to a more rural setting. As part of its focus on exploring the future possibilities for this site, CSIRO requested the National Capital Authority (NCA) to include the site as 'Urban Area' on the General Policy Plan for Metropolitan Canberra in the National Capital Plan draft Amendment 86. The Amendment was approved by the Federal Minister for Major Projects, Territories and Local Government on 5 May 2016. This Amendment is subject to a disallowance period that commenced upon resumption of Parliament on 30 August and runs for fourteen days.

This initial step in rezoning the land has allowed CSIRO to commence a process to identify a suitable development partner to progress with the next steps in the planning for the future of the site which will involve ongoing significant community and stakeholder consultation. Once a development partner and plan is selected, it is expected that there will be a material increase in the recorded value of the Ginninderra land. This is expected to occur in early 2017.

At the time of completion of these financial statements, the Group is not aware of any other significant events occurring after the reporting date.

CONSOLIDATED FINANCIAL STATEMENTS  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 1. Financial Performance

This section analyses the financial performance of CSIRO for the year ended 30 June 2016.

### 1.1. Expenses

	Consolidated		CSIRO	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Note 1.1A: Employee Benefits</b>				
Wages and salaries	531,584	500,744	496,883	500,435
Superannuation	89,679	83,070	87,175	83,003
Leave and other entitlements	88,788	82,321	85,790	82,242
Separation and redundancies	29,006	1,411	27,639	1,411
<b>Gross employee benefits</b>	<b>739,057</b>	667,546	<b>697,487</b>	667,091
Less				
Capitalised labour	(7,510)	(2,714)	(7,510)	(2,714)
Employee cost recovery from joint ventures	(684)	(248)	(684)	(248)
<b>Total employee benefits</b>	<b>730,863</b>	664,584	<b>689,293</b>	664,129

#### Accounting Policy

Accounting policy for employee related expenses is contained in the People and Relationships section.

#### Note 1.1B: Suppliers

Goods supplied	95,393	134,594	93,586	132,086
Services rendered	332,719	282,835	299,071	268,712
<b>Total goods and services supplied or rendered</b>	<b>428,112</b>	417,429	<b>392,657</b>	400,798
<b>Other suppliers</b>				
Operating lease rentals - minimum lease payments	6,276	10,012	6,276	10,012
Workers compensation expenses	4,460	5,571	4,345	5,565
<b>Total other suppliers</b>	<b>10,736</b>	15,583	<b>10,621</b>	15,577
<b>Total Suppliers</b>	<b>438,848</b>	433,012	<b>403,278</b>	416,375

#### Leasing commitments

The CSIRO in its capacity as lessee has the following commitments that arise from effectively non-cancellable operating leases:

Office and Scientific Research Accommodation - Lease payments are subject to annual increases in accordance with the terms of the agreement (such as CPI increases). The accommodation leases are current and each may be renewed at the Group's option.

Motor Vehicles - No contingent rentals exist and there are no purchases options for vehicle leases.

Computer Equipment - Provision of computer equipment as designated necessary in the supply contract for a general period of 2-3 years.

Commitments below are stated inclusive of GST.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	40,208	38,565	35,653	38,565
Between 1 to 5 years	118,067	119,836	116,562	119,836
More than 5 years	19,449	49,211	19,449	49,211
<b>Total operating lease commitments</b>	<b>177,724</b>	207,612	<b>171,664</b>	207,612

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**Accounting Policy**

Research and Development Expenditure and Intellectual Property

All research and development costs, including costs associated with protecting intellectual property (e.g. patents and trademarks), are expensed as incurred.

Leases

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

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

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

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

	<b>Consolidated</b>		<b>CSIRO</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Note 1.1C: Write-down and impairment of assets</b>				
Asset write-downs and impairments from:				
Bad debts	<b>78</b>	128	<b>78</b>	128
Decrease in allowance for impairment of receivable	<b>127</b>	(368)	<b>127</b>	(368)
Impairment of available for sale investments	<b>3,088</b>	150	<b>3,088</b>	150
Net impairment loss on revaluation of properties held for sale and investment properties	-	940	-	940
Net realisation of fair value loss reserve on available for sale investments	-	943	-	943
Write down and impairment of assets <sup>1</sup>	<b>790</b>	14,002	<b>790</b>	14,002
<b>Total write-down and impairment of assets</b>	<b>4,083</b>	15,795	<b>4,083</b>	15,795

<sup>1</sup> The gain arising from revaluation of investment properties was reported as a net amount against the write down and impairment of assets in 2014-15, but has been reclassified to be reported as a gain in the 2015-16 financial statements (refer note 1.2).

**CONSOLIDATED FINANCIAL STATEMENTS**  
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**1.2. Revenue and Gains**

	Consolidated		CSIRO	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Revenues from Government</b>	<b>750,281</b>	745,268	<b>750,281</b>	745,268
Sale of goods	10,129	10,295	10,129	10,295
Rendering of services	410,478	360,353	359,085	367,178
<b>Total sale of goods and rendering of services</b>	<b>420,607</b>	370,648	<b>369,214</b>	377,473
Bank and term deposits interest	9,296	12,946	6,457	9,707
Rental Income	9,409	8,633	8,129	8,633
Royalties and licence fees	59,832	60,809	59,749	60,809
<b>Total interest, rental and royalties and licence income</b>	<b>78,537</b>	82,388	<b>74,335</b>	79,149
Other revenues				
Sale of primary produce	1,244	1,293	1,244	1,293
Donation	15	20	15	20
Capital contributions	6,114	5,945	7,114	7,945
Education programs and subscriptions	422	1,497	422	1,497
Other	21,685	13,875	10,175	11,398
<b>Total other revenues</b>	<b>29,480</b>	22,630	<b>18,970</b>	22,153
<b>Total own-source revenue</b>	<b>528,624</b>	475,666	<b>462,519</b>	478,775
Gain on recognition of assets	-	6,722	-	6,722
Gain on foreign exchange (non speculative)	293	-	267	-
Gain on revaluation of investment properties <sup>1</sup>	929	1,004	929	1,004
<b>Total own-source revenue including gains</b>	<b>529,846</b>	483,392	<b>463,715</b>	486,501

<sup>1</sup> The gain arising from revaluation of investment properties was reported as a net amount against the write down and impairment of assets in 2014-15 (note 1.1C)

**Leasing - Rental Income Commitments**

CSIRO has commitments receivable for the sub leasing areas of office and scientific research accommodation to external parties:

Within 1 year	7,676	10,166	6,613	10,166
Between 1 to 5 years	17,172	16,017	16,958	16,017
More than 5 years	8,132	5,862	8,132	5,862
<b>Total lease commitments receivable</b>	<b>32,980</b>	32,045	<b>31,703</b>	32,045

**Accounting Policy**

Sale of Goods and Services Revenue

Revenue from sale of goods is recognised when:

- The risks and rewards of ownership have been transferred to the buyer;
- The entity retains no managerial involvement or effective control over the goods;
- The revenue and transaction costs incurred can be reliably measured; and
- It is probable that the economic benefits associated with the transaction will flow to CSIRO.

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

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
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The stage of completion of contracts at the reporting date is determined by reference to the estimated progress of the contracted deliverables to date. The balances of contract research and development activities in progress are accounted as either contract research work in progress (Note 0C), being the gross unbilled amount expected to be collected from clients for contract research and services performed as at 30 June 2016, or contract research revenue received in advance (Note 2.3B), where revenue for contract research and services received and/or billed exceeded revenue earned.

Interest Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement.

Royalties and License Fees

Royalties and licence revenue are recognised on an accrual basis in accordance with the substance of the relevant royalty agreements.

Revenue from legal settlements related to intellectual property is recognised on an accrual basis in accordance with the substance of the relevant licensing agreements.

Revenues from Government

Funding received from the Australian Government Department of Industry and Science (appropriated to CSIRO as a corporate Commonwealth entity payment item) is recognised as Revenue from Government unless it is in the nature of an equity injection or a loan.

Other Revenue

Other revenues includes sale of CSIRO publications and products, conferences and 'pass through' funding for costs of suppliers and external service providers.

Resources Received Free of Charge

Resources received free of charge are recognised as either revenue or gains depending on their nature. They are recorded as revenue when, and only when, the fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements.

Sale of Assets

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

**1.3. Other Comprehensive Income**

	Consolidated		CSIRO	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Items that will not be classified to income or loss</b>				
<b>Note 1.3A: Changes in asset revaluation reserves</b>				
Revaluation of land and buildings	1,489	42,089	-	42,089
Revaluation of plant and equipment	(3,337)	-	(7,664)	-
Revaluation of heritage and cultural assets	-	(11)	-	(11)
<b>Net increase/(decrease) in asset revaluation reserves</b>	<b>(1,848)</b>	<b>42,078</b>	<b>(7,664)</b>	<b>42,078</b>

**Items that may be reclassified to income and loss**

**Note 1.3B: Change in other reserve**

Net change in fair value gain/(loss) of available for sale of investments	(915)	(2,139)	(915)	(2,139)
Net change arising from foreign exchange movements on conversion of subsidiary accounts	(44)	23	-	-
Realisation of fair value loss on sale and impairment of available for sale investment	-	(130)	-	(130)
<b>Net increase/(decrease) in other reserve</b>	<b>(959)</b>	<b>(2,246)</b>	<b>(915)</b>	<b>(2,269)</b>

**CONSOLIDATED FINANCIAL STATEMENTS**  
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## 2. Financial Position

This section analyses CSIRO's assets used to generate financial performance and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

### 2.1. Financial Assets

	Consolidated		CSIRO	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Note 2.1A: Trade and other receivables</b>				
Goods and services	44,683	43,891	44,805	43,985
Statutory receivables	5,860	9,826	5,028	9,175
Interest	1,083	1,959	632	1,211
Other receivables	6,587	18,082	1,612	15,358
<b>Total trade and other receivables (gross)</b>	<b>58,213</b>	<b>73,758</b>	<b>52,077</b>	<b>69,729</b>
Less: impairment allowance for trade and other receivables	(354)	(276)	(354)	(276)
<b>Total trade and other receivables (net)</b>	<b>57,859</b>	<b>73,482</b>	<b>51,723</b>	<b>69,453</b>

Trade and other receivables (gross) aged as follows

Not overdue	49,049	66,853	43,207	62,824
Overdue by				
0 to 30 days	4,135	4,213	4,111	4,213
31 to 60 days	3,498	1,529	3,498	1,529
61 to 90 days	889	564	889	564
More than 90 days	642	599	372	599
<b>Total receivables (gross)</b>	<b>58,213</b>	<b>73,758</b>	<b>52,077</b>	<b>69,729</b>

Impairment allowance aged as follows

Not overdue	-	-	-	-
Overdue by				
0 to 30 days	-	-	-	-
31 to 60 days	-	-	-	-
61 to 90 days	-	-	-	-
More than 90 days	354	276	354	276
<b>Total impairment allowance</b>	<b>354</b>	<b>276</b>	<b>354</b>	<b>276</b>

**Reconciliation of impairment allowance**

Opening balance	276	644	276	644
Increase /(decrease) recognised in net surplus	78	(368)	78	(368)
<b>Closing balance</b>	<b>354</b>	<b>276</b>	<b>354</b>	<b>276</b>

#### Accounting Policy

##### Loans and Receivables

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance. Collectability of debts is reviewed on an ongoing basis and allowances are made when collectability of the debt is no longer probable. All trade and other receivables are expected to be recovered in no more than 12 months.

##### Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period. Where there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.



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	Consolidated		CSIRO	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Note 2.1B: Investments accounted for using the equity method</b>				
Movements of the carrying amount of investment in the MDFRC joint venture entity are as follows:				
Carrying amount at beginning of the financial year	10	309	10	309
Share of MDFRC's net operating surplus/(deficit) for the year	(10)	(431)	(10)	(431)
Adjusted based on audited accounts	-	132	-	132
<b>Carrying amount of investment in MDFRC as at 30 June</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>10</b>

No indicators of impairment were found for investments accounted for using the equity method.

**Accounting Policy**

Joint Venture Entities – Unincorporated

CSIRO's 50.0% (2015: 50.0%) interest in the Murray-Darling Freshwater Research Centre (MDFRC) is accounted for using the equity method. The MDFRC is a collaborative joint venture for the purpose of Murray-Darling Basin Freshwater Research to support the generation of knowledge required to ensure the sustainable management of water and associated environmental resources of the Murray-Darling Basin. In accordance with the joint venture agreement, the operating surplus/(deficit) is shared by participants in the joint venture.

**Note 2.1C: Other Investments**

Listed companies	4,023	3,970	4,023	3,970
Unlisted companies	7,363	8,631	5,423	8,631
Other investments	10,000	-	40,000	-
<b>Total investments</b>	<b>21,386</b>	<b>12,601</b>	<b>49,446</b>	<b>12,601</b>

All other investments are expected to be recovered in more than 12 months.

Available for sale investments were impaired by \$3.0m in 2016 (2015: \$0.2m).

**Accounting Policy**

CSIRO has investments in a number of unlisted start-up companies over which it does not have significant influence or control. These companies have been established for the purpose of commercialisation of CSIRO's intellectual property. CSIRO also has some investments in companies which have been listed on the Australian Stock Exchange.

CSIRO's investments in listed and unlisted companies are accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, and have been designated as 'available-for-sale' financial assets. See note 5.2 for further information.

CONSOLIDATED FINANCIAL STATEMENTS  
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2.2. Non-Financial Assets

Note 2.2A: Reconciliation of the opening and closing balances of Land and Buildings, Plant and Equipment and Intangibles

**(a) Reconciliation of the opening and closing balances of Land and Buildings, Plant and Equipment and Intangibles for 2016 - Consolidated**

	Land	Buildings	Total land and buildings	Plant and equipment	Heritage and Cultural	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2015</b>							
Gross book value	382,413	2,593,167	2,975,580	1,145,278	11,947	51,024	4,183,829
Accumulated depreciation and amortisation	-	(1,371,280)	(1,371,280)	(548,131)	(7,741)	(29,647)	(1,956,799)
<b>Net book value as at 1 July 2015</b>	<b>382,413</b>	<b>1,221,887</b>	<b>1,604,300</b>	<b>597,147</b>	<b>4,206</b>	<b>21,377</b>	<b>2,227,030</b>
Additions:							
By purchase	-	84,866	84,866	67,467	-	6,612	158,945
Assets first recognised through a gain in net cost of services	-	-	-	-	-	-	-
Reclassification	2,261	3,120	5,381	(5,333)	-	(48)	-
Revaluations recognised in other comprehensive income	-	1,489	1,489	(3,337)	-	-	(1,848)
Impairments recognised in net cost of services	-	-	-	(790)	-	-	(790)
Depreciation expense	-	(90,334)	(90,334)	(71,269)	-	(7,275)	(168,878)
Disposals	-	(513)	(513)	(3,259)	-	-	(3,772)
Other Movements (NICTA Opening Balances)	-	147	147	252	-	21	420
<b>Net book value as at 30 June 2016</b>	<b>384,674</b>	<b>1,220,662</b>	<b>1,605,336</b>	<b>580,878</b>	<b>4,206</b>	<b>20,687</b>	<b>2,211,107</b>
<b>Net book value as at 30 June 2016 represented by:</b>							
Gross book value	384,674	2,675,023	3,059,697	1,130,985	11,947	58,908	4,261,537
Accumulated depreciation and amortisation	-	(1,454,361)	(1,454,361)	(550,107)	(7,741)	(38,221)	(2,050,430)
	<b>384,674</b>	<b>1,220,662</b>	<b>1,605,336</b>	<b>580,878</b>	<b>4,206</b>	<b>20,687</b>	<b>2,211,107</b>

CONSOLIDATED FINANCIAL STATEMENTS  
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**(b) Reconciliation of the opening and closing balances of Land and Buildings, Plant and Equipment and Intangibles for 2015 - Consolidated**

	Land	Buildings	Total land and buildings	Plant and equipment	Heritage and Cultural	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2014</b>							
Gross book value	365,868	2,499,362	2,865,230	1,060,351	11,713	54,639	3,991,933
Accumulated depreciation and amortisation	-	(1,301,892)	(1,301,892)	(511,953)	(7,496)	(23,266)	(1,844,607)
<b>Net book value as at 1 July 2014</b>	365,868	1,197,470	1,563,338	548,398	4,217	31,373	2,147,326
Additions:							
By purchase	-	77,693	77,693	113,401	-	1,787	192,881
Assets first recognised through a gain in net cost of services	-	6,722	6,722	-	-	-	6,722
Reclassification	109	4,564	4,673	(10)	-	(4,663)	-
Revaluation recognised in other comprehensive income	16,436	25,653	42,089	-	(11)	-	42,078
Impairments recognised in net cost of services	-	-	-	(529)	-	-	(529)
Depreciation expense	-	(76,104)	(76,104)	(62,870)	-	(7,120)	(146,094)
Disposals	-	(637)	(637)	(1,243)	-	-	(1,880)
Write off of assets recognised in net cost of services	-	(13,474)	(13,474)	-	-	-	(13,474)
<b>Net book value as at 30 June 2015</b>	382,413	1,221,887	1,604,300	597,147	4,206	21,377	2,227,030
<b>Net book value as at 30 June 2015 represented by:</b>							
Gross book value	382,413	2,593,167	2,975,580	1,145,278	11,947	51,024	4,183,829
Accumulated depreciation and amortisation	-	(1,371,280)	(1,371,280)	(548,131)	(7,741)	(29,647)	(1,956,799)
	382,413	1,221,887	1,604,300	597,147	4,206	21,377	2,227,030

CONSOLIDATED FINANCIAL STATEMENTS  
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**(c) Reconciliation of the opening and closing balances of Land and Buildings, Plant and Equipment and Intangibles for 2016 - CSIRO**

	Land	Buildings	Total land and buildings	Plant and equipment	Heritage and Cultural	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2015</b>							
Gross book value	382,413	2,593,168	2,975,581	1,144,780	11,947	51,024	4,183,332
Accumulated depreciation and amortisation	-	(1,371,281)	(1,371,281)	(548,077)	(7,741)	(29,647)	(1,956,746)
<b>Net book value as at 1 July 2015</b>	<b>382,413</b>	<b>1,221,887</b>	<b>1,604,300</b>	<b>596,703</b>	<b>4,206</b>	<b>21,377</b>	<b>2,226,586</b>
Additions:							
By purchase	-	82,664	82,664	66,834	-	6,612	156,110
Assets first recognised through a gain in net cost of services	-	-	-	-	-	-	-
Reclassification	2,261	3,120	5,381	(5,333)	-	(48)	-
Revaluations recognised in other comprehensive income	-	-	-	(7,664)	-	-	(7,664)
Impairments recognised in net cost of services	-	-	-	(790)	-	-	(790)
Depreciation expense	-	(90,166)	(90,166)	(71,004)	-	(7,261)	(168,431)
Disposals	-	(511)	(511)	(3,271)	-	-	(3,782)
<b>Net book value as at 30 June 2016</b>	<b>384,674</b>	<b>1,216,994</b>	<b>1,601,668</b>	<b>575,475</b>	<b>4,206</b>	<b>20,680</b>	<b>2,202,029</b>
<b>Net book value as at 30 June 2016 represented by:</b>							
Gross book value	384,674	2,670,081	3,054,755	1,107,276	11,947	57,588	4,231,566
Accumulated depreciation and amortisation	-	(1,453,087)	(1,453,087)	(531,801)	(7,741)	(36,908)	(2,029,537)
	<b>384,674</b>	<b>1,216,994</b>	<b>1,601,668</b>	<b>575,475</b>	<b>4,206</b>	<b>20,680</b>	<b>2,202,029</b>

CONSOLIDATED FINANCIAL STATEMENTS  
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**(d) Reconciliation of the opening and closing balances of Land and Buildings, Plant and Equipment and Intangibles for 2015 - CSIRO**

	Land	Buildings	Total land and buildings	Plant and equipment	Heritage and Cultural	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2014</b>							
Gross book value	365,868	2,499,362	2,865,230	1,060,344	11,713	54,639	3,991,926
Accumulated depreciation and amortisation	-	(1,301,892)	(1,301,892)	(511,952)	(7,496)	(23,266)	(1,844,606)
<b>Net book value as at 1 July 2014</b>	<b>365,868</b>	<b>1,197,470</b>	<b>1,563,338</b>	<b>548,392</b>	<b>4,217</b>	<b>31,373</b>	<b>2,147,320</b>
Additions:							
By purchase	-	77,694	77,694	112,909	-	1,787	192,390
Assets first recognised through a gain in net cost of services	-	6,722	6,722	-	-	-	6,722
Reclassification	109	4,564	4,673	(10)	-	(4,663)	-
Revaluation recognised in other comprehensive income	16,436	25,653	42,089	-	(11)	-	42,078
Impairments recognised in net cost of services	-	-	-	(529)	-	-	(529)
Depreciation expense	-	(76,104)	(76,104)	(62,817)	-	(7,120)	(146,041)
Disposals	-	(638)	(638)	(1,242)	-	-	(1,880)
Write off of assets recognised in net cost of services	-	(13,474)	(13,474)	-	-	-	(13,474)
<b>Net book value as at 30 June 2015</b>	<b>382,413</b>	<b>1,221,887</b>	<b>1,604,300</b>	<b>596,703</b>	<b>4,206</b>	<b>21,377</b>	<b>2,226,586</b>
<b>Net book value as at 30 June 2015 represented by:</b>							
Gross book value	382,413	2,593,168	2,975,581	1,144,780	11,947	51,024	4,183,332
Accumulated depreciation and amortisation	-	(1,371,281)	(1,371,281)	(548,077)	(7,741)	(29,647)	(1,956,746)
	<b>382,413</b>	<b>1,221,887</b>	<b>1,604,300</b>	<b>596,703</b>	<b>4,206</b>	<b>21,377</b>	<b>2,226,586</b>

**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	Consolidated		CSIRO	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Contractual commitments for fixed assets:</b>				
Capital commitments comprise outstanding payments for buildings under construction and commitments for purchase of plant and equipment. Commitments are reported inclusive of GST.				
Land and buildings	21,532	19,725	19,959	19,725
Plant and equipment	1,807	5,412	1,807	5,412
<b>Total commitments payable</b>	<b>23,339</b>	<b>25,137</b>	<b>21,766</b>	<b>25,137</b>
Within 1 year	20,889	25,137	19,316	25,137
Between 1 to 5 years	2,450	-	2,450	-
More than 5 years	-	-	-	-
<b>Total commitments payable</b>	<b>23,339</b>	<b>25,137</b>	<b>21,766</b>	<b>25,137</b>

**Accounting Policy**

Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost or for nominal considerations are initially recognised as assets and revenues at their fair value at the date of acquisition. Property, plant and equipment which are purchased from contract research funds and where the control and subsequent sale proceeds are refunded to contributors under the terms of the agreements, are expensed during the year of purchase.

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$3,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

Following initial recognition at cost, property, plant and equipment, including assets under finance leases are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure the carrying amount of assets do not differ materially from the assets' fair value as at reporting date. The regularity of valuation depends upon the volatility of movements in the market values for the relevant assets.

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

Any accumulated depreciation as at the revaluation date is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Fair value for each class of asset is determined as follows:

- Land, which will continue to be used for research activity, is valued by independent valuers at fair value (highest and best use). Highest and best use is determined from the perspective of market participants. An entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest otherwise. Land underwent a full revaluation as at 30 June 2015 by Savills.
- Buildings and leasehold improvements, which will continue to be used for research activities, are valued by independent valuers at fair value (highest and best use). Building valuations include plant, fit-outs, fixtures and fittings, which form an integral part of buildings. Buildings underwent a full revaluation as at 30 June 2015 by Savills.
- Plant and equipment which will continue to be used for research activities are valued by independent valuers at fair value (highest and best use). Plant and equipment assets were revalued as at 30 June 2016 by Australian Valuation Solutions.
- Properties held for sale are valued at fair value annually by independent valuers. The property held for sale is valued at its contracted sale price.
- Heritage and cultural assets are valued by independent valuers at their depreciated replacement cost. Heritage assets underwent a full revaluation as at 30 June 2015 by Savills.

## CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### Depreciation and Amortisation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease. Land is not depreciated.

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

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

Buildings on freehold land	40 to 80 years
Leasehold improvements	Lease term
Buildings under finance lease	Lease term
Passenger vehicles	7 years
Agricultural and transport equipment	8 to 20 years
Computing equipment	2 to 5 years
Scientific equipment	5 to 20 years
Furniture and office equipment	5 to 15 years
Workshop equipment	20 to 25 years
Research vessel	25 years
Australia telescope	15 to 58 years
Heritage and cultural assets	Indefinite

#### Impairment

All assets were assessed for impairment as at 30 June 2016. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

No indications of impairment were identified at 30 June 2016, except for two items of plant and equipment.

#### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

#### Heritage and Cultural Assets

Heritage and cultural items include buildings of historical or cultural significance. CSIRO has classified them as heritage and cultural assets as they are primarily used for purposes that relate to their cultural significance and original purpose. Heritage and cultural assets are stored and managed in ways to preserve their heritage and cultural value over time. Where conservation and preservation activities, specified in an asset's Heritage Management Plan, demonstrate that an asset will be maintained for an indefinite period, these items are considered to have indefinite useful lives and therefore, not subject to depreciation. Copies of the Heritage Management Plans may be obtained by contacting enquiries@CSIRO.au.

#### Intangibles

Intangibles comprise licenses and internally developed and acquired software for internal use. These assets are carried at cost, less accumulated amortisation and impairment losses, except where the estimated cost of software is less than the \$250,000 threshold and expensed in the year of acquisition. Licenses and software are amortised on a straight-line basis over their anticipated useful lives. The useful lives are 2 to 10 years (2015: 2 to 10 years). All software assets were assessed for indications of impairment as at 30 June 2016.

#### Properties Held for Sale

Properties which are expected to be recovered primarily through sale rather than through continuing use are classified as 'properties held for sale'. Immediately before classification, the properties are remeasured in accordance with the Group's accounting policies. Thereafter, at reporting date the properties are measured at the lower of their carrying amount and fair value less cost to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the Statement of Comprehensive Income.

**CONSOLIDATED FINANCIAL STATEMENTS**  
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	Consolidated		CSIRO	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Note 2.2B: Investment properties</b>				
<b>Reconciliation of the opening and closing balances of investment properties</b>				
<b>As at 1 July</b>	<b>49,292</b>	48,288	<b>49,292</b>	48,288
Net gain/(loss) from fair value adjustments	930	1,004	930	1,004
Carrying value of assets sold	-	-	-	-
<b>Total as at 30 June</b>	<b>50,222</b>	49,292	<b>50,222</b>	49,292

**Commitments from investment properties:**

Commitments comprise rental income receivable from CSIRO's investment properties

Within 1 year	738	3,114	738	3,114
Between 1 to 5 years	1,200	-	1,200	-
More than 5 years	350	-	350	-
<b>Total commitment receivable</b>	<b>2,288</b>	3,114	<b>2,288</b>	3,114

No indicators of impairment were identified for investment properties.

**Accounting Policy**

Investment properties are recorded at their fair value, which is assessed annually by independent valuers. Investment properties were valued as at 30 June 2016 by Colliers. Revaluation increments are recorded as a gain or loss in the Statements of Comprehensive Income as disclosed in Note 1.2. Rental income from investment properties is included in the rental income disclosed in Note 1.2 and was \$3.1m for 2016 (2015:\$3.1m). Operating costs that are recoverable amounted to \$1.0m (2015: \$0.4)

**Note 2.2C: Other non-financial assets**

Contract research work in progress - at cost	31,566	34,983	31,566	34,983
Capital prepayments	1,266	63,689	1,266	63,689
Other prepayments	13,036	7,138	13,016	7,107
Uniseed Fund Payment <sup>1</sup>	-	10,000	-	10,000
<b>Total other non-financial assets</b>	<b>45,868</b>	115,810	<b>45,848</b>	115,779

<sup>1</sup> In 2015, CSIRO provided \$10m to be held in trust by Uniseed Management Pty Ltd for the purpose of establishing a new pre-seed and seed fund that is expected to invest in early stage technology development. Once established during 2015-16, this was reclassified as an Investment asset (Note 2.1C).

No indicators of impairment were identified for other non-financial assets. Other non-financial assets are expected to be recovered in no more than 12 months.

**Accounting Policy**

Accounting policy for contract research work in progress is contained in Note 1.2.



**CONSOLIDATED FINANCIAL STATEMENTS**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**2.3. Payables**

	<b>Consolidated</b>		<b>CSIRO</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Note 2.3A: Suppliers</b>				
Suppliers payable	<b>62,176</b>	111,505	<b>60,135</b>	110,539
<b>Total</b>	<b>62,176</b>	111,505	<b>60,135</b>	110,539

Suppliers payable are expected to be settled within 12 months.  
Settlement is usually made within 30 days.

**Note 2.3B: Other Payables**

Accrued salaries and wages	<b>3,779</b>	22,148	<b>3,667</b>	22,000
Contract research revenue received in advance	<b>99,558</b>	99,089	<b>99,558</b>	99,089
Other revenue received in advance	<b>16,258</b>	16,234	<b>12,466</b>	11,174
Other creditors and accrued expenses	<b>8,225</b>	9,406	<b>6,533</b>	8,012
<b>Total other payables</b>	<b>127,820</b>	146,877	<b>122,224</b>	140,275

All other payables are expected to be settled within 12 months.

**Accounting Policy**

Accounting policy for contract revenue received in advance is contained in Note 1.2.

**CONSOLIDATED FINANCIAL STATEMENTS**  
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**2.4. Interest Bearing Liabilities**

	Consolidated		CSIRO	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Note 2.4A: Finance Leases</b>				
Payable				
Within one year				
Minimum lease payments	5,814	7,217	5,814	7,217
Deduct: future finance charges	(1,547)	(2,210)	(1,547)	(2,210)
<b>Total payable within one year (current)</b>	<b>4,267</b>	<b>5,007</b>	<b>4,267</b>	<b>5,007</b>
In one to five years				
Minimum lease payments	22,641	24,768	22,641	24,768
Deduct: future finance charges	(5,462)	(6,611)	(5,462)	(6,611)
<b>Total payable within one to five years</b>	<b>17,179</b>	<b>18,157</b>	<b>17,179</b>	<b>18,157</b>
In more than five years				
Minimum lease payments	21,896	28,033	21,896	28,033
Deduct: future finance charges	(1,320)	(2,472)	(1,320)	(2,472)
<b>Total payable in more than five years</b>	<b>20,576</b>	<b>25,561</b>	<b>20,576</b>	<b>25,561</b>
<b>Total finance leases recognised on the Statement of Financial Position</b>	<b>42,022</b>	<b>48,725</b>	<b>42,022</b>	<b>48,725</b>

Finance leases exist in relation to certain buildings and major equipment assets. The leases are non-cancellable and for fixed terms ranging from 17 to 25 years. CSIRO guarantees the residual values of all assets leased. There are no contingent rentals. The interest rate implicit in the leases averaged 4% per annum (2015: 5% per annum). The lease liabilities are secured by the lease assets.

**Accounting Policy**

Accounting policies for leases is contained in Note 1.1.

**Note 2.4B: Deposits**

Deposits represent monies held on behalf of the following third parties:

Goyder Institute of Water Research	3,253	4,072	3,253	4,072
Others	2,545	1,487	3,595	2,537
<b>Total deposits</b>	<b>5,798</b>	<b>5,559</b>	<b>6,848</b>	<b>6,609</b>

**CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. Funding**

This section identifies CSIRO's funding structure.

**3.1. Cash Flow Reconciliation**

	Consolidated		CSIRO	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement</b>				
Cash and cash equivalents as per Cash Flow Statement and Statement of Financial Position	<b>302,096</b>	267,129	<b>176,827</b>	182,331
<b>Reconciliation of net cost of services to net cash from operating activities</b>				
Net cost of services	<b>(818,379)</b>	(779,787)	<b>(806,910)</b>	(759,515)
Revenue from Government	<b>750,281</b>	745,268	<b>750,281</b>	745,268
Share of net operating surplus/(deficit) of joint venture accounted for using the equity method	<b>(10)</b>	(300)	<b>(10)</b>	(300)
<b>Adjustments for non-cash items</b>				
Depreciation and amortisation	<b>168,878</b>	146,094	<b>168,431</b>	146,041
Net write-down and impairment of assets	<b>3,878</b>	14,791	<b>3,878</b>	14,791
Gain on recognition of asset	-	(6,722)	-	(6,722)
Gain on revaluation of investment properties	<b>(929)</b>	-	<b>(929)</b>	-
(Gains)/loss from sale of property, plant and equipment	<b>3,352</b>	891	<b>3,362</b>	891
(Gains)/loss from sale of equity investments and intellectual property	-	14	-	14
Share of net operating deficit of joint venture accounted for using the equity method	<b>10</b>	300	<b>10</b>	300
<b>Movements in assets and liabilities</b>				
<b>Assets</b>				
(Increase)/decrease in trade and other receivables	<b>18,651</b>	3,313	<b>13,583</b>	3,519
(Increase)/decrease in inventories	<b>(99)</b>	(55)	<b>(99)</b>	(55)
(Increase)/decrease in other non-financial assets	<b>4,996</b>	(22,384)	<b>3,824</b>	(22,397)
(Increase)/decrease in GST receivable	<b>3,966</b>	(5,468)	<b>4,147</b>	(5,410)
<b>Liabilities</b>				
Increase/(decrease) in employee liabilities	<b>31,779</b>	(58,153)	<b>30,576</b>	(58,243)
Increase/(decrease) in supplier payables	<b>(52,005)</b>	31,871	<b>(50,404)</b>	31,318
Increase/(decrease) in other payables	<b>(29,891)</b>	(6,324)	<b>(18,051)</b>	(9,774)
Increase/(decrease) in deposits-liabilities	<b>239</b>	992	<b>239</b>	2,042
Increase / (decrease) in provision for remediation	<b>29,703</b>	-	<b>29,703</b>	-
<b>Net cash from operating activities</b>	<b>114,420</b>	64,341	<b>131,631</b>	81,768

**Accounting Policy**

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and demand deposits in bank accounts with an original maturity of six months or less that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Cash is recognised at its nominal amount. The total cash held includes deposits held on behalf of third parties (as disclosed in Note 2.4B).

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## 4. People and Relationships

This section describes a range of employment and post employment benefits provided to our people and our relationship with other key people.

### 4.1. Employee Provisions

	Consolidated		CSIRO	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Note 4.1A: Employee Provisions</b>				
Annual leave	58,143	55,788	55,068	55,698
Long service leave	145,952	130,296	143,498	130,296
Severance pay	6,655	5,434	5,121	5,434
Redundancies	27,984	9,667	27,984	9,667
<b>Total employee provisions</b>	<b>238,734</b>	<b>201,185</b>	<b>231,671</b>	<b>201,095</b>
<b>Employee provisions are expected to be settled in</b>				
No more than 12 months	73,218	47,104	66,155	47,104
More than 12 months	165,516	154,081	165,516	153,991
<b>Total employee provisions</b>	<b>238,734</b>	<b>201,185</b>	<b>231,671</b>	<b>201,095</b>

#### Accounting Policy

Liabilities for short-term employee benefits (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rate expected to be paid on settlement of the liability.

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

#### Leave

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

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

The liability at 30 June for long service leave and annual leave has been determined by the short hand method and reference to the work of the Australian Government Actuary (AGA). The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

#### Separation and Redundancy

Provision is made for separation and redundancy benefit payments. A CSIRO plan of termination is binding when the following criteria are met:

- actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made;
- the plan identifies the number of employees whose employment is to be terminated; and
- the plan established the termination benefits that employees will receive.

#### Superannuation

Employees of CSIRO are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap). The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance as an administered item.

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

The liability for superannuation recognised as at 30 June represents outstanding contributions for the financial year.

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4.2. Senior Management Personnel Remuneration

	Consolidated		CSIRO	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Short-term employee benefits</b>				
Salary	6,309	5,023	5,568	5,023
Performance bonuses	590	1,504	590	1,504
Additional allowances	281	310	280	310
<b>Total short-term employee benefits</b>	<b>7,180</b>	<b>6,837</b>	<b>6,438</b>	<b>6,837</b>
<b>Post-employment benefits</b>				
Superannuation	746	685	714	685
<b>Total post-employment benefits</b>	<b>746</b>	<b>685</b>	<b>714</b>	<b>685</b>
<b>Other long-term employee benefits</b>				
Annual leave accrued	424	384	396	384
Long-service leave accrued	281	150	281	150
<b>Total other long-term benefits</b>	<b>705</b>	<b>534</b>	<b>677</b>	<b>534</b>
<b>Termination benefits</b>				
Termination benefits	413	-	-	-
<b>Total termination benefits</b>	<b>413</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total senior executive remuneration expenses</b>	<b>9,044</b>	<b>8,056</b>	<b>7,829</b>	<b>8,056</b>

The total number of senior management personnel that are included in the above table for CSIRO is 20 (2015: 22) and for the Group is 23 (2015:22). The increase in the staff numbers and associated costs for the Group in 2016 is due to the first time inclusion of NICTA.

This note has been prepared on an accrual basis for substantive and long term acting senior management personnel during the period.

4.3. Remuneration of Auditors

	Consolidated		CSIRO	
	2016	2015	2016	2015
	\$	\$	\$	\$
Amounts received or due and receivable by the Group's auditors for:				
Audit of the financial statements <sup>1</sup>	404,983	271,681	199,000	227,000
Other non-audit related <sup>2</sup>	92,703	41,063	-	24,596
	<b>497,686</b>	<b>312,744</b>	<b>199,000</b>	<b>251,596</b>

<sup>1</sup> The Group's auditor is the Australian National Audit Office (ANAO) who has appointed RSM to assist with the assignment in 2015-16 (KPMG in 2014-15). The Fundacion is audited by Ernst & Young. NICTA was audited for part of the year by Ernst & Young.

<sup>2</sup> These services are performed by the audit firm directly. No non-audit work was undertaken by RSM for CSIRO (2015: KPMG services included taxation, governance services and provision of financial reporting software). Ernst & Young provided other assurance services to NICTA during the current period.

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**4.4. Remuneration of Board Members**

	Consolidated		CSIRO	
	2016	2015	2016	2015
	\$	\$	\$	\$
Remuneration and superannuation benefits received or due and receivable by full-time and part-time Board Members, excluding the Chief Executive Officer were:				
Remuneration	837,488	599,865	553,915	599,865
Payments to superannuation funds	72,400	49,166	49,587	49,166
<b>Total remuneration</b>	<b>909,888</b>	<b>649,031</b>	<b>603,502</b>	<b>649,031</b>

The remuneration of the Chief Executive Officer, who is also a Board Member of the Group is reported under Note 4.2 Senior Executive Remuneration. The total number of Board members that are included in the above table for CSIRO is 13 (2015: 9) due to changes in Board personnel during the year. For the Group the total number of Board members was 27 (2015: 9). The increase in the Board personnel and remuneration for the Group in 2016 is due to the first time inclusion of NICTA.

**4.5. Meetings of the Board and Board Committees**

During the financial year 2015-16, 8 Board meetings (2 out of session), 5 Board Audit & Risk Committee meetings and 4 Board People, Health & Safety Committee meetings were held. Specific Board members are members of the Committees, however as Board members they are able to attend any Committee meeting. The number of meetings attended by each of the Board members was as follows:

Board member	CSIRO Board		CSIRO Board Audit & Risk Committee		CSIRO Board People, Health & Safety Committee	
	Number eligible to attend as a member	Number attended	Number eligible to attend as a member	Number attended	Number eligible to attend as a member	Number attended
M Allan	1	1	-	-	-	1
J Bennett	3	3	3	3	-	1
E Cornish	5	5	1	2	-	1
E Doyle	4	4	4	4	2	2
S In't Veld	8	8	5	4	4	3
D Knox*	-	-	-	-	-	-
T Monro	4	4	-	1	1	1
H Ranck	8	8	-	2	4	4
P Riddles	8	7	5	5	4	4
D Thodey	5	5	-	2	-	2
B Watson	6	6	2	2	-	2
L Marshall	8	7	-	3	-	3

\* Mr D Knox was appointed to the Board on 5 May 2016 with his duties commencing 25 July 2016. Consequently no meetings were attended during 2015-16.

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**4.6. Related Party Disclosures**

**(a) Controlled Entities**

SIEF was established under the *Science and Industry Endowment Act 1926*. The principal activity of the SIEF Trust is to provide assistance to persons engaged in scientific research and in training of students in scientific research. The SIEF Trustee is the CSIRO Chief Executive and SIEF is a wholly controlled entity. The SIEF's separate financial statements are reported in the CSIRO Annual Report.

WLAN is a small proprietary company limited by shares, which are solely held by CSIRO. The principal activity of WLAN is to provide services to CSIRO. WLAN was established in 2005.

The Fundación was established in October 2013. The Fundación is a controlled entity governed by a Board in accordance with the Constitution of the Fundación. The Fundación is working with industry and leading Chilean Universities to develop cutting-edge technologies to reduce the environmental impact of mining and increase productivity.

NICTA is Australia's ICT Research Centre of Excellence and undertakes internationally recognised research in partnership with industry, government and researchers to create national benefit and wealth for Australia. NICTA is the parent entity of NICTA IPR Pty Ltd and a small number of minor proprietary limited companies that exist to hold intellectual property and commercialise research. CSIRO obtained full control of NICTA on 28 August 2015, when the members of the NICTA Board resolved to adopt a revised company constitution which provided CSIRO with effective control over NICTA.

The General Partner Co Pty Ltd and CSIRO Financial Services Pty Ltd are newly established entities that were set up as part of establishing the CSIRO Innovation Fund. Their purpose is to manage and operate the Fund. AFOF is an incorporated limited partnership formed under the Partnership Act 1892 (NSW) and has applied to Innovation Australia for conditional registration as an Australian Venture Capital Fund of Funds. CSIRO has sole control of these entities.

**(b) Board Members**

The Board Members of the Group during the financial year were:

D Thodey (Chairman) (appointed 15 October 2015; commenced duties 19 November 2015)

S In't Veld (Deputy Chairman from 22 April 2016)

L Marshall (Chief Executive)

M Allan (appointed 5 May 2016)

J Bennett (term completed 24 October 2015)

E Cornish (appointed 26 November 2015)

E Doyle (term completed 14 February 2016)

D Knox (appointed 5 May 2016)

T Monro (appointed 25 February 2016)

H Ranck (reappointed 5 May 2016)

P Riddles

B Watson (appointed 14 September 2015)

The aggregate remuneration of Board Members is disclosed in Note 4.4.

**(c) Board Members' interest in contracts**

Since 1 July 2015 no Board Member of CSIRO has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of remuneration received or due and receivable shown in Note 4.4 by reason of a contract made by CSIRO with the Board Member or with a firm of which the Board Member is a member or with a company in which the Board Member has a substantial financial interest.

This information relates to the period 1 July 2015 to 30 June 2016.

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**(d) Other transactions of Board Members – related entities**

Dr M Allan is the Chair of the Next Generation Manufacturing Investment Programme Advisory Committee, Apple and Pear Australia Limited, the Grains and Legumes Nutrition Council, Charles Sturt University, and Meat and Livestock Australia where she is also Chair of the Remuneration Committee. Dr Allan is also Director of Innovation and Science Australia, Food and Agribusiness Growth Centre, Nuffield Australia and Grain Growers, where she is also the Chair of the Audit & Risk Committee. Dr Allan is also a Member of the Cooperative Research Centres Advisory Committee. During 2015-16 Dr Allan ceased to be a Director of Cooperative Research Centres Hearing. All contracts and transactions between these entities and CSIRO are based on normal commercial terms and conditions and there is no personal benefit to the CSIRO Board Member.

Ms J Bennett is a non-Executive Director of the Australian Broadcasting Corporation, Nuffield Australia and Food Innovation Australia Ltd. During 2015/16 Ms Bennett ceased to be a Director of the Australian Farm Institute, Tasmanian Ports Corporation, The Van Diemen's Land Company and Tasmanian Land Co. During 2015-16, Ms Bennett was appointed an Executive Director of TasFoods Ltd, Nichols Poultry Pty Ltd and Shima Wasabi Ltd. All contracts and transactions between these entities and CSIRO are based on normal commercial terms and conditions and there is no personal benefit to the CSIRO Board Member.

Professor E Cornish is a Director of South Barnoolut Pty Ltd. She is a Board Member of: the Monash (Suzhou) Consulting Company Limited, Museums Board of Victoria, the Indian Institute of Technology Bombay-Monash Research Academy, and Climate Works Australia Board. Professor Cornish is also a Member of the following: the ARC Advisory Council, NHMRC Health Innovation Advisory Committee, and the Expert Working Group for National Research Infrastructure Roadmap. All contracts and transactions between these entities and CSIRO are based on normal commercial terms and conditions and there is no personal benefit to the CSIRO Board Member.

Dr E Doyle is Chair of the Hunter Valley Research Foundation. She is a Non-Executive Director of the GPT Group of companies, Boral Ltd, Knights Rugby League Pty Ltd and various private companies. Dr Doyle is also a Conjoint Professor at the University of Newcastle, Graduate School of Business and a member of O'Connell Street Associates. During the 2015-16 year, Dr Doyle was appointed as Non-Executive Director of Oil Search and ceased as Non-Executive Director of Bradken Limited. All contracts and transactions between these entities and CSIRO are based on normal commercial terms and conditions and there is no personal benefit to the CSIRO Board Member.

Ms S In't Veld is a Director of Asciano Limited, a non-Executive Director of the DUET Group and a member of the CSIRO Energy Strategic Advisory Committee. Ms In't Veld is Nominee Director for Sunsuper and Group Super (Commonwealth Bank) for Perth Airport. During 2015-16, Ms In't Veld was appointed as a Board Member of the National Broadband Network (NBN), and a member of the Takeovers Panel. During 2015-16 she ceased to be an Advisory Council Member of SMART Infrastructure, a non-Executive Director of the Juniper Uniting Church Community and as a council member of AICD (WA). All contracts and transactions between these entities and CSIRO are based on normal commercial terms and conditions and there is no personal benefit to the CSIRO Board Member.

Mr D Knox is Chair of the CSIRO Energy Advisory Committee, a Director of Migration Council Australia and a Member of the Commonwealth Science Council and the Royal Institution of Australia Council. David also sits on the boards of the Adelaide Botanic Gardens and State Herbarium and the Adelaide Festival. All contracts and transactions between these entities and CSIRO are based on normal commercial terms and conditions and there is no personal benefit to the CSIRO Board Member.

Dr L Marshall is Trustee of the Science and Industry Endowment Fund. Dr Marshall is also a beneficiary of Southern Cross Venture Partners Trusco Pty Ltd Third Party Trust, Southern Cross Venture Partners Management Pty Ltd Third Party Trust and Blackbird Venture Capital Fund Third Party Trust. All contracts and transactions between these entities and CSIRO are based on normal commercial terms and conditions and there is no personal benefit to the CSIRO Board Member.



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Professor T Monro is the Vice President of the Australian Academy of Technological Science and Engineering (ATSE) and Deputy Vice Chancellor and Vice President: Research and Innovation, University of South Australia. She is Chair of the Deputy Vice Chancellor Research Group of the Australian Technology Network of Universities and a Patron of the National Youth Science Forum (NYSF). Professor Monro is also a Director of Red Chip Photonics and a Member of the Commonwealth Science Council, the Economic Development Board of South Australia, the Science | Creativity | Education Studio Advisory Board, University of South Australia and the National Committee for Physics. During 2015-16, Professor Monro ceased to be a Member of the Riverbank Authority, South Australia. All contracts and transactions between these entities and CSIRO are based on normal commercial terms and conditions and there is no personal benefit to the CSIRO Board Member.

Mr H Ranck is Chair of Elders Limited, Director of Innotegic Pty Ltd and Iluka Resources, and a fellow of the Australian Institute of Company Directors. During 2015-16, he ceased to be a member of the Sydney University Senate Committee on Risk and Safety. All contracts and transactions between these entities and CSIRO are based on normal commercial terms and conditions and there is no personal benefit to the CSIRO Board Member.

Dr P Riddles is Founder and Director of ViciBio Pty Ltd and a Director of the Hear and Say Centre for Deaf Children and the National Stem Cell Foundation of Australia. He is the Chairman of the Griffith Enterprise Advisory Board and a Fellow of the California Technology Council. During 2015-16, Dr Riddles was appointed a Member of the Entrepreneurs' Program Committee of Innovation Australia and ceased to be Chair of the Wound Management Innovation CRC. All contracts and transactions between these entities and CSIRO are based on normal commercial terms and conditions and there is no personal benefit to the CSIRO Board Member.

Mr D Thodey is Chair of Jobs for NSW Fund and during 2015-16, he was appointed Special Advisor to Square Peg Capital. During 2015-16 he stood down as Chair and Board Member of GSM Association, Public Policy Committee, Deputy Chair of the International Business Leaders' Advisory Council (IBLAC) and Co-Chair of the Infrastructure and Investment Taskforce of the Australian B20 leadership group. All contracts and transactions between these entities and CSIRO are based on normal commercial terms and conditions and there is no personal benefit to the CSIRO Board Member.

Mr B Watson is a Board Member and Shareholder of Georgica Associates Pty Ltd and Six Park Investment Management Pty Ltd. Mr Watson is also a Board Member of MeeMeep Pty Ltd and Victorian International Container Terminal Ltd. During 2015-16 Mr Watson ceased to be a member of the Melbourne Grammar School Foundation Board and Berry Street Victoria. All contracts and transactions between these entities and CSIRO are based on normal commercial terms and conditions and there is no personal benefit to the CSIRO Board Member.

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## 5. Managing Uncertainties

This section analyses how CSIRO manages financial risk within its operating environment.

### 5.1. Contingent Assets and Liabilities

	Consolidated		CSIRO	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Quantifiable Contingencies</b>				
<b>Contingent assets</b>				
Insurance claims	2,323	-	2,323	-
Bank guarantees received from suppliers	38,353	57,997	38,353	57,997
<b>Total contingent assets</b>	<b>40,676</b>	<b>57,997</b>	<b>40,676</b>	<b>57,997</b>
<b>Contingent liabilities</b>				
Estimated legal claims <sup>1</sup>	-	(300)	-	(300)
<b>Total contingent liabilities</b>	<b>-</b>	<b>(300)</b>	<b>-</b>	<b>(300)</b>
<b>Total net contingent asset/(liability)</b>	<b>40,676</b>	<b>57,697</b>	<b>40,676</b>	<b>57,697</b>

Depending on the materiality of risks involved with certain commercial transactions, CSIRO has requested bank guarantees where necessary to mitigate such risks, notably where substantial advance payments were made.

<sup>1</sup>Estimated legal claims arising from employment, motor vehicle accidents, commercial and patent disputes. The Group has denied liability and is defending the claims. The estimate is based on precedent in such cases.

#### Unquantifiable contingencies

CSIRO is currently involved in one legal proceeding in the US relating to CSIRO's US patent for its wireless local area network (WLAN) invention, which it owns and has licensed broadly. In this proceeding, an amount was awarded for damages by the trial court but the proceeding went through an appeal process relating primarily to the appropriate method for calculating patent damages. The outcome of the appeal process is that the matter has been returned to the trial court for further determination. It is conceivable that any decision of the trial court could become the subject of a further appeal. The final amount of the damages award that will be determined by the US courts is presently unknown.

#### Accounting Policy

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position. They may arise from uncertainty as to the existence of a liability or asset, or represent a liability or asset in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

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**5.2. Financial Instruments**

	Consolidated		CSIRO	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Note 5.2A: Categories of financial instruments</b>				
<b>Financial Assets</b>				
<b>Available for sale financial assets</b>				
Investments	21,386	12,601	49,446	12,601
<b>Loans and receivables</b>				
Cash at bank	139,127	15,398	76,827	9,331
Term deposits	162,969	251,731	100,000	173,000
Receivable for goods and services	44,683	43,891	44,805	43,985
Other receivables	7,670	20,041	2,244	16,569
<b>Carrying amount of financial assets</b>	<b>375,835</b>	<b>343,662</b>	<b>273,322</b>	<b>255,486</b>
<b>Financial Liabilities</b>				
Finance lease liabilities	42,022	48,725	42,022	48,725
Trade creditors	62,176	111,505	60,135	110,539
Research revenue received in advance	99,558	99,089	99,558	99,089
Deposits	5,798	5,559	6,848	6,609
Other creditors	28,262	47,788	22,666	41,186
<b>Carrying amount of financial liabilities</b>	<b>237,816</b>	<b>312,666</b>	<b>231,229</b>	<b>306,148</b>

**Accounting Policy**

**Financial Assets**

CSIRO classifies its financial assets in the following categories: available for sale financial assets and loans and receivables. The classification depends on the nature and the purpose of financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in the reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in the operating result for the period.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis, except for financial assets that are recognised at fair value through profit and loss.

Fair value of Investments in Listed Companies

The fair value of investments in listed companies has been determined by reference to their closing bid price at the reporting date.

Fair value of Investments in Unlisted Companies

For investments in unlisted companies where there is no readily available market pricing for the equity instruments, the fair value has been determined by applying valuation techniques in line with the generally accepted valuation guidelines 'International Private Equity and Venture Capital Valuation (IPEV) Guidelines'.

Where recent transactions for the unlisted companies' equity have taken place, these equity transaction prices are used to value CSIRO's investment.

For unlisted companies that have not had any recent equity transactions, other IPEV valuation techniques are used such as discounted cash flows and share of net assets.

In addition, independent valuations are performed as at reporting date for unlisted companies that are considered to have a material impact on CSIRO's investment portfolio.

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Investments in special purpose entities are either valued at cost or share of net realisable assets since a reliable estimate of fair value cannot be established. These entities have been set up primarily to gain access to research facilities/networks, or to provide services to owners. Hence, there is no 'active market' for these equity investments. CSIRO is a long-term shareholder and is unlikely to dispose of its interest in these investments.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market, are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate. All trade and other receivables are expected to be recovered in no more than 12 months.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

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

*Available-for-sale financial assets*- Where there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.

*Available-for-sale financial assets (held at cost)*- Where there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

**Financial Liabilities**

Financial liabilities are recognised and derecognised upon trade date. Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

	<b>Consolidated</b>		<b>CSIRO</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Note 5.2B: Net income and expense from financial assets</b>				
Cash at bank and term deposits				
Interest revenue	<b>9,296</b>	12,946	<b>6,457</b>	9,707
<b>Net gain from financial assets</b>	<b>9,296</b>	12,946	<b>6,457</b>	9,707

**Note 5.2C: Net income and expense from financial liabilities**

Finance leases				
Interest expense	<b>2,201</b>	2,535	<b>2,178</b>	2,521
<b>Net loss from financial liabilities</b>	<b>2,201</b>	2,535	<b>2,178</b>	2,521

**Note 5.2D: Fair value of financial instruments**

A comparison between the fair value and carrying amount of the Group's financial assets and liabilities is not disclosed because the Group considers that the carrying amounts reported in the Statement of Financial Position are a reasonable approximation of the fair value of these financial assets and liabilities.

**Note 5.2E: Credit Risk**

The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade and other receivables of \$52.0m million (2015 \$63.7 million). The Group has assessed the risk of the default on payment and has allocated \$0.4 million (2015 \$0.3 million) to an allowance for impairment account.

The Group manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, the Group has policies and procedures that guide employees to apply debt recovery techniques. The Group holds no collateral to mitigate against credit risk.

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**Credit risk of financial instruments not past due or individually determined as impaired - Consolidated**

	<b>Not past due nor impaired 2016 \$'000</b>	Not past due nor impaired 2015 \$'000	<b>Past due or impaired 2016 \$'000</b>	Past due or impaired 2015 \$'000
Cash at bank	139,127	15,398	-	-
Term deposits	162,969	251,731	-	-
Receivables for goods and services	35,519	36,986	9,164	6,905
Other receivables	7,670	20,041	-	-
Investments	21,386	12,601	-	-
<b>Total</b>	<b>366,671</b>	<b>336,757</b>	<b>9,164</b>	<b>6,905</b>

**Credit risk of financial instruments not past due or individually determined as impaired - CSIRO**

Cash at bank	76,827	9,331	-	-
Term deposits	100,000	173,000	-	-
Receivables for goods and services	35,935	37,080	8,870	6,905
Other receivables	2,244	16,569	-	-
Investments	49,446	12,601	-	-
<b>Total</b>	<b>264,452</b>	<b>248,581</b>	<b>8,870</b>	<b>6,905</b>

**Ageing of financial assets that were past due but not impaired for 2016 - Consolidated**

	<b>0 to 30 days \$'000</b>	<b>31 to 60 days \$'000</b>	<b>61 to 90 days \$'000</b>	<b>90+ days \$'000</b>	<b>Total \$'000</b>
Receivables for goods and services	4,135	3,498	889	642	9,164
<b>Total</b>	<b>4,135</b>	<b>3,498</b>	<b>889</b>	<b>642</b>	<b>9,164</b>

**Ageing of financial assets that were past due but not impaired for 2015 - Consolidated**

Receivables for goods and services	4,213	1,529	564	599	6,905
<b>Total</b>	<b>4,213</b>	<b>1,529</b>	<b>564</b>	<b>599</b>	<b>6,905</b>

**Ageing of financial assets that were past due but not impaired for 2016 - CSIRO**

	<b>0 to 30 days \$'000</b>	<b>31 to 60 days \$'000</b>	<b>61 to 90 days \$'000</b>	<b>90+ days \$'000</b>	<b>Total \$'000</b>
Receivables for goods and services	4,111	3,498	889	372	8,870
<b>Total</b>	<b>4,111</b>	<b>3,498</b>	<b>889</b>	<b>372</b>	<b>8,870</b>

**Ageing of financial assets that were past due but not impaired for 2015 - CSIRO**

Receivables for goods and services	4,213	1,529	564	599	6,905
<b>Total</b>	<b>4,213</b>	<b>1,529</b>	<b>564</b>	<b>599</b>	<b>6,905</b>

**Note 5.2G: Market risk**

The Group holds basic financial instruments that do not expose the Group to certain market risks except for equity price risk for its 'available for sale' equity investments. See Note 2.1C.

**Interest rate risk**

The only interest-bearing items on the Statement of Financial Position are finance leases. They all bear interest at a fixed interest rate and will not fluctuate due to changes in the market interest rate.

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**Equity price risk**

Equity price risk arises from changes in market prices of listed equity investments that the Group has designated as 'available for sale' financial instruments. See Note 2.1C.

**Sensitivity analysis**

The Group's listed equity investments are listed on the Australian Stock Exchange (ASX). For such instruments classified as 'available for sale', a 10% increase in the ASX All Ordinary Index at the reporting date would have increased equity by \$ 0.4 million (2015: \$0.4 million). An equal change in the opposite direction would have decreased equity by \$0.4 million (2015: \$0.4 million). The analysis is performed on the same basis for 2015.

**Currency risk**

In accordance with Australian Government policy, the Group is prohibited from entering into foreign currency hedges.

The Group's exposure to foreign exchange risk on sales and purchases that are denominated in currencies other than the Australian dollar is not considered material. At any point in time the Group's foreign currency risk exposure is not material.

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5.3. Fair value measurements

Fair value measurements at the end of the reporting period

	2016 \$'000	2015 \$'000	Category (Level 1, 2 or 3)	Valuation technique	Inputs used
<b>Financial assets</b>					
Available for sale financial assets					
- Listed	4,023	3,970	1	N/A	N/A
- Unlisted	7,363	8,631	3	Share of net assets; Latest equity or unit transaction price; Contract value	Net assets; Percentage shareholding; Equity or unit transaction price; Contract value
- Other investments	10,000	-	3	Share of net assets; Latest equity or unit transaction price; Contract value	Net assets; Percentage shareholding; Equity or unit transaction price; Contract value
<b>Total financial assets</b>	<b>21,386</b>	<b>12,601</b>			
<b>Non-financial assets</b>					
Land	384,674	382,413	2	Active and liquid market approach	Market value of similar properties; Dollar rate per square metre; Derived escalation rate on similar land sales
Buildings	1,220,662	1,221,887	3	Depreciated replacement cost approach	Escalation rate on construction cost change; Market value of similar properties
Plant and equipment	580,878	597,147	3	Depreciated replacement cost approach	Observable inputs such as the market value of similar P&E
Investment Properties	50,220	49,292	2	Market approach and capitalisation	Market value of similar properties; Dollar rate per m2
Properties Held For Sale	5,200	5,200	1	Market approach and capitalisation	Market value of similar properties
Heritage and cultural	4,206	4,206	3	Depreciated replacement cost approach	Market value of similar properties; Escalation rate for building cost premium
<b>Total non-financial assets</b>	<b>2,245,842</b>	<b>2,260,145</b>			
<b>Total fair value measurements (assets)</b>	<b>2,267,228</b>	<b>2,272,746</b>			

1. The above disclosure represents the consolidated financial position of the Group.

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**Note 5.3B: Reconciliation for recurring Level 3 fair value measurements**

There have been no transfers between levels for non-financial assets

**Recurring Level 3 fair value measurements - reconciliation for assets**

	Non-financial assets			Financial assets	
	Buildings	Property, plant and equipment	Heritage and Cultural	Total Non-Financial	Total Financial
	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
<b>Opening balance</b>	<b>1,221,887</b>	<b>597,147</b>	<b>4,206</b>	<b>1,823,240</b>	<b>8,631</b>
Total gains/(losses) in net cost of services <sup>1</sup>	(90,334)	(72,059)	-	(162,393)	(3,088)
Transfers	3,120	(5,333)	-	(2,213)	(908)
Additions	85,013	67,719	-	152,732	12,831
Disposals	(513)	(3,259)	-	(3,772)	-
Revaluations	1,489	(3,337)	-	(1,848)	(103)
<b>Closing balance</b>	<b>1,220,662</b>	<b>580,878</b>	<b>4,206</b>	<b>1,805,746</b>	<b>17,363</b>

1. These gains/(losses) recognised in the net cost of services are presented in the Statement of Comprehensive Income under 'Depreciation and amortisation' and 'Write-down and Impairment of assets'.

**Significant Accounting Judgements and Estimates**

In the process of applying the accounting policies listed in this note, CSIRO has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The fair value of properties classified as 'properties held for sale' has been taken to be the market value (level 1 inputs), and for 'investment properties' has been taken to be the market value (level 2 inputs), of similar properties as determined by an independent valuer;
- The fair value of land which will continue to be used for research activities, and buildings held for specialised purposes and where there is no readily available market price has been taken to be Fair Value- Highest and Best Use (level 3 inputs), as determined by an independent valuer;
- The fair value of plant and equipment has been taken to be Fair Value – Highest and Best Use (level 3 inputs) as they mainly comprise of specialised research equipment. Fair value is determined by an independent valuer; and
- The fair value of listed companies is assessed at market value (level 1 inputs); whereas unlisted companies and commercial vehicles are assessed at fair value using the best information available (level 1 and 3 inputs). For investments in unlisted companies where there is no readily available market pricing, the fair value has been determined by applying valuation techniques in line with the generally accepted valuation guidelines 'International Private Equity and Venture Capital Valuation Guidelines (IPEV).' Where recent transactions for the unlisted companies' equity have taken place, these equity transaction prices are used to value CSIRO's investment. For unlisted companies that have not had any recent equity transactions, other IPEV valuation techniques are used such as discounted cash flows and share of net assets. Investments in special purpose entities are either valued at cost of share of net realisable assets since a reliable estimate of fair value cannot be established. These entities have been set up primarily to gain access to research facilities/networks, or to provide services to owners. Hence, there is not 'active market' for these equity investments.

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



## 6. Other information

### 6.1. Cooperative Research Centres (CRCs)

All CRCs have been classified as joint operations as the purpose is for the pursuit of collaborative scientific research where participants share in the scientific outcomes and outputs of the CRCs. In the event that CRC research results in a move to commercialisation, a separate legal entity is established and the CSIRO's share of the new entity is treated either as subsidiary, joint venture or associate in the Statement of Financial Position as appropriate.

CSIRO's total cash and in-kind contribution (e.g. staff and use of assets) to CRCs from its own resources was \$9.1 million for the year (2015: \$12.5 million). Contributions made by CSIRO are expensed as incurred and these are included in the Statement of Comprehensive Income.

No contingent liabilities were reported by the CRCs in which CSIRO is a participant.

CSIRO is a participant in the following CRCs as at 30 June 2016.

Name of CRC	<u>Expected Termination</u>
	<u>Date</u>
Antarctic Climate and Ecosystems CRC	30/06/19
Australian Poultry CRC	30/06/17
Australasian Invasive Animals CRC	30/06/17
Automotive Australia 2020 CRC	30/06/17
CRC for Cancer Therapeutics	30/06/20
CRC Alertness Safety and Productivity	30/06/20
CRC for Contaminated Assessment and Remediation of the Environment (CRC for CARE)	30/06/20
CRC for Low Carbon Living	30/06/19
CRC for Mental Health	30/06/18
CRC for Optimising Resource Extraction	30/06/22
CRC for Polymers	30/06/17
Deep Exploration Technologies CRC	30/06/18
National Plant Biosecurity CRC	30/06/18
Rail Manufacturing CRC	30/06/21
Remote Economic Participation CRC	30/06/17

There was one CRC that terminated and/or CSIRO's participation concluded as at 30 June 2016.

Bushfire and Natural Hazards CRC	31/12/15
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#### Accounting Policy

##### Joint Operations – Cooperative Research Centres (CRCs)

The proportionate interests in CRCs regarded as joint operations are disclosed in the financial statements under appropriate headings. Their primary source of funding is from the Australian Government and funding is progressively drawn down over the life of the CRCs and distributed to participants, including CSIRO and universities, for research and development purposes. CSIRO's contributions to the CRCs are expensed as incurred and funds received from CRCs are recognised as revenue to the extent that work has been performed in the Statement of Comprehensive Income. CSIRO has been a participant in 16 CRCs during the financial year.

## 6.2. Monies Held in Trust

	2016 \$'000	2015 \$'000
Monies held in trust represented by cash, deposits and investments for the benefit of the Group which are not included in the Statement of Financial Position are:		
The Sir Ian McLennan Achievement for Industry Award - established to award outstanding contributions by the Group's scientists and engineers to national development.	353	356
The Elwood and Hannah Zimmerman Trust Fund - established to fund weevil research and the curation of the Australian National Insect Collection (ANIC) weevil collection.	4,905	5,260
The Schlinger Trust - established to research the taxonomy, biosystematics, general biology and biogeography of Australasian Diptera conducted by the Australian National Insect Collection.	2,364	2,426
<b>Total monies held in trust as at 30 June</b>	<b>7,622</b>	<b>8,042</b>

	McLennan \$'000	Zimmerman \$'000	Schlinger \$'000	Total \$'000
Summary of movements:				
Balance as at 1 July 2015	356	5,260	2,426	8,042
Adjustments	(15)	-	-	(15)
Interest and distribution	12	49	80	141
Expenditure	-	(404)	(142)	(546)
<b>Balance as at 30 June 2016</b>	<b>353</b>	<b>4,905</b>	<b>2,364</b>	<b>7,622</b>

### 6.3. Collections

CSIRO is the custodian of several collections used for scientific research. These collections have been established over time and document an extensive range of Australian flora and fauna species. The collections are irreplaceable, bear scientific and historical value and are not reliably measurable in monetary terms. Therefore, CSIRO has not recognised them as an asset in its financial statements.

The main collections held by CSIRO are:

- Australian National Herbarium (ANH) – With a focus on the Australian flora and that of neighbouring regions such as New Guinea and the Pacific, the ANH has over 1 million herbarium, with additional holdings at the Australian Tropical Herbarium (ATH) in Cairns, Queensland. The ANH collections include the Dadswell Memorial Wood Collection and comprehensive holdings of a number of groups, including cryptogams, eucalypts and orchids.
- Australian National Insect Collection (ANIC) – Specialising in Australian terrestrial invertebrates, ANIC houses over 12 million and is the world's largest collection of Australian insects, as well as groups such as mites, spiders, earthworms, nematodes and centipedes. ANIC is an important research collection used by CSIRO researchers, university staff, and students, and scientists from Australian and international research organisations.
- Australian National Wildlife Collection (ANWC) – Specialising in terrestrial vertebrates, ANWC contains specimens of most species of Australian mammals, birds, reptiles, and amphibians. It is particularly rich in specimens of birds from New Guinea. ANWC is a valuable asset for biologists engaged in biodiversity research. Its research library holds 60,000 recordings of wildlife sounds, more than a thousand tissue samples, and the egg collections from more than 300 bird species.
- Australian National Fish Collection (ANFC) – Specialising in marine fishes, the ANFC contains almost 150,000 specimens representing more than 3,000 species from the Indo-Pacific region. It is an invaluable resource for biodiversity and biogeographic research on Australian and Indo-Pacific fishes. Its major strengths are sharks, rays, and deep-water fishes. It contains the largest collection of images, radiographs and taxonomic reprints of Australian fishes.
- Australian Tree Seed Centre (ATSC) – The ATSC is managed as a collection and research centre for Australian native tree species. For over 50 years the centre has been collecting, researching and supplying quality, fully documented tree seed to both domestic and overseas customers. Collections of seed are sourced from wild populations and genetically improved seed from our domestication and improvement programs.
- Australian National Algae Culture Collection (ANACC) – The ANACC consists of more than 300 microalgae species and is a resource for research on algal diversity, distribution, richness, and taxonomic relationships, including those of economic importance and environmental concern. Aligned with the collection is the National Algae Supply Service, which provides microalgae strains as starter cultures to industry, research, organisations and educational institutions in over 70 countries.

### 6.4. Reporting of Outcome

CSIRO's outputs contribute to a single outcome (refer to Overview section).

	Consolidated		CSIRO	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
<b>Total expenses<sup>1</sup></b>	<b>1,348,235</b>	1,263,479	<b>1,270,635</b>	1,246,316
<b>Total other own-source income</b>	<b>529,846</b>	483,392	<b>463,715</b>	486,501
<b>Net cost of outcome delivery</b>	<b>818,389</b>	780,087	<b>806,920</b>	759,815

<sup>1</sup> Total expenses adjusted for the share of the net operating surplus/(deficit) of the joint venture accounted for using the equity method.

## 7. Budgetary Reports and Explanations of Major Variances

The following provides a comparison of the original budget as presented in the 2015-16 Portfolio Budget Statements to the actual outcome reported for 2015-16. The intention of this variance analysis is to provide the reader with information relevant to assessing the performance of CSIRO, including the accountability for the resources entrusted to it.

### Statement of Comprehensive Income for the period ended 30 June 2016

	Actual	Consolidated Original Budget	Variance
	2016 \$'000	2016 \$'000	2016 \$'000
<b>NET COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits	730,863	665,358	65,505
Suppliers	438,848	442,816	(3,968)
Depreciation and amortisation	168,878	166,680	2,198
Finance costs	2,201	2,245	(44)
Write-down and impairment of assets	4,083	-	4,083
Foreign exchange losses	-	-	-
Losses from asset sales	3,352	-	3,352
<b>Total expenses</b>	<b>1,348,225</b>	<b>1,277,099</b>	<b>71,126</b>
<b>Own-Source Income</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	420,607	403,008	17,599
Interest	9,296	7,161	2,135
Rental income	9,409	2,940	6,469
Royalties and licence fees	59,832	28,862	30,970
Other revenues	29,480	20,195	9,285
<b>Total own-source revenue</b>	<b>528,624</b>	<b>462,166</b>	<b>66,458</b>
<b>Gains</b>			
Net gain from sales of assets	-	-	-
Foreign exchange gains	293	-	293
Gain on revaluation of investment properties	929	-	929
<b>Total gains</b>	<b>1,222</b>	<b>-</b>	<b>1,222</b>
<b>Total own-source income</b>	<b>529,846</b>	<b>462,166</b>	<b>67,680</b>
<b>Net cost of services</b>	<b>(818,379)</b>	<b>(814,933)</b>	<b>(3,446)</b>
<b>Revenue from Government</b>	<b>750,281</b>	<b>749,681</b>	<b>600</b>
Share of net operating surplus/(deficit) of joint venture accounted for using equity method	(10)	-	(10)
<b>Surplus on continuing operation</b>	<b>750,271</b>	<b>749,681</b>	<b>590</b>
<b>Surplus/(Deficit) attributable to the Australian Government</b>	<b>(68,108)</b>	<b>(65,252)</b>	<b>(2,856)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items not subject to subsequent reclassification to net cost of services</b>			
Increase/(decrease) in asset revaluation reserves	(1,848)	-	(1,848)
<b>Items subject to subsequent reclassification to net cost of services</b>			
Increase/(decrease) in other reserves	(959)	-	(959)
<b>Total other comprehensive income</b>	<b>(2,807)</b>	<b>-</b>	<b>(2,807)</b>
<b>Total comprehensive income/(loss) attributable to the Australian Government</b>	<b>(70,915)</b>	<b>(65,252)</b>	<b>(5,663)</b>

**Statement of Financial Position**  
as at 30 June 2016

	Actual	Consolidated Original Budget	Variance
	2016	2016	2016
	\$'000	\$'000	\$'000
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	302,096	204,177	97,919
Trade and other receivables	57,859	75,653	(17,794)
Investments accounted for using the equity method	-	309	(309)
Other investments	21,386	14,621	6,765
<b>Total financial assets</b>	<b>381,341</b>	<b>294,760</b>	<b>86,581</b>
<b>Non-Financial Assets</b>			
Land and buildings	1,605,336	1,574,941	30,395
Plant and equipment	580,878	591,929	(11,051)
Heritage and cultural	4,206	-	4,206
Intangibles	20,687	20,369	318
Investment properties	50,222	48,288	1,934
Inventories	1,334	1,180	154
Other non-financial assets	45,868	47,924	(2,056)
<b>Total non-financial assets</b>	<b>2,308,531</b>	<b>2,284,631</b>	<b>23,900</b>
Properties held for sale	5,200	-	5,200
<b>Total assets</b>	<b>2,695,072</b>	<b>2,579,391</b>	<b>115,681</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	62,176	53,907	8,269
Other payables	127,820	129,512	(1,692)
<b>Total payables</b>	<b>189,996</b>	<b>183,419</b>	<b>6,577</b>
<b>Interest Bearing Liabilities</b>			
Leases	42,022	53,475	(11,453)
Deposits	5,798	4,567	1,231
<b>Total Interest bearing liabilities</b>	<b>47,820</b>	<b>58,042</b>	<b>(10,222)</b>
<b>Provisions</b>			
Employee provisions	238,734	204,086	34,648
Provision for remediation	29,703	-	29,703
<b>Total provisions</b>	<b>268,437</b>	<b>204,086</b>	<b>64,351</b>
<b>Total liabilities</b>	<b>506,253</b>	<b>445,547</b>	<b>60,706</b>
<b>Net assets</b>	<b>2,188,819</b>	<b>2,133,844</b>	<b>54,975</b>
<b>EQUITY</b>			
Contributed equity	270,954	272,520	(1,566)
Asset revaluation reserves	1,387,548	1,348,820	38,728
Other reserves	(1,704)	-	(1,704)
Retained surplus	532,021	512,504	19,517
<b>Total equity</b>	<b>2,188,819</b>	<b>2,133,844</b>	<b>54,975</b>

**Statement of Changes in Equity**

for the period ended 30 June 2016

	Retained earnings			Asset revaluation reserve			Other reserves			Contributed equity/capital			Total equity		
	Actual	Budget Estimate		Actual	Budget Estimate		Actual	Budget Estimate		Actual	Budget Estimate		Actual	Budget Estimate	
		Original	Variance		Original	Variance		Original	Variance		Original	Variance		Original	Variance
	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
<b>Opening balance</b>	578,333	577,756	577	1,389,396	1,348,820	40,576	(745)	-	(745)	270,954	272,520	(1,566)	2,237,938	2,199,096	38,842
<b>Comprehensive income</b>															
Other comprehensive income	-	-	-	(1,848)	-	(1,848)	(959)	-	(959)	-	-	-	(2,807)	-	(2,807)
Surplus/(deficit) for the period	(68,108)	(65,252)	(2,856)	-	-	-	-	-	-	-	-	-	(68,108)	(65,252)	(2,856)
<b>Total comprehensive income</b>	(68,108)	(65,252)	(2,856)	(1,848)	-	(1,848)	(959)	-	(959)	-	-	-	(70,915)	(65,252)	(5,663)
Other Movements (NICTA Transfer)	21,796		21,796			-			-			-	21,796		21,796
<b>Contributions by owners</b>															
Equity injection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions by owners – other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing balance</b>	532,021	512,504	19,517	1,387,548	1,348,820	38,728	(1,704)	-	(1,704)	270,954	272,520	(1,566)	2,188,819	2,133,844	54,975

## Cash Flow Statement

for the period ended 30 June 2016

	Actual	Consolidated Original Budget	Variance
	2016 \$'000	2016 \$'000	2016 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Receipts from Government	750,281	749,681	600
Goods and services	569,472	442,142	127,330
Interest	10,172	7,422	2,750
Net GST received	30,603	4,745	25,858
Deposits	-	-	-
Other	-	54,537	(54,537)
<b>Total cash received</b>	<b>1,360,528</b>	<b>1,258,527</b>	<b>102,001</b>
<b>Cash used</b>			
Employees	717,786	676,170	41,616
Suppliers	526,043	460,853	65,190
Finance costs	2,201	-	2,201
Deposits	78	-	78
Net GST paid	-	-	-
Other	-	(2,280)	2,280
<b>Total cash used</b>	<b>1,246,108</b>	<b>1,134,743</b>	<b>111,365</b>
<b>Net cash from operating activities</b>	<b>114,420</b>	<b>123,784</b>	<b>(9,364)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment	464	-	464
Proceeds from sales of equity investments and intellectual property	-	-	-
<b>Total cash received</b>	<b>464</b>	<b>-</b>	<b>464</b>
<b>Cash used</b>			
Purchase of property, plant and equipment	102,839	115,045	(12,206)
Equity investments	848	-	848
Other selling costs	43	-	43
<b>Total cash used</b>	<b>103,730</b>	<b>115,045</b>	<b>(11,315)</b>
<b>Net cash from (used by) investing activities</b>	<b>(103,266)</b>	<b>(115,045)</b>	<b>11,779</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity	-	-	-
Other	-	-	-
<b>Total cash received</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash used</b>			
Payment to the Commonwealth	-	-	-
Finance leases	6,703	-	6,703
<b>Total cash used</b>	<b>6,703</b>	<b>-</b>	<b>6,703</b>
<b>Net cash from financing activities</b>	<b>(6,703)</b>	<b>-</b>	<b>(6,703)</b>
<b>Net increase (decrease) in cash held</b>	<b>4,451</b>	<b>8,739</b>	<b>(4,288)</b>
Cash and cash equivalents at the beginning of the reporting period	267,129	195,439	71,690
Transition of opening balance of NICTA cash and cash equivalents	30,516	-	30,516
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>302,096</b>	<b>204,178</b>	<b>(97,918)</b>

## **Explanation of Major Variances**

Australian Accounting Standard AASB 1055 *Budgetary Reporting* requires variance explanations of major variances between the original budget as presented in the 2014-15 Portfolio Budget Statements and the actual outcome as reported in these financial statements. CSIRO considers that major variances are those greater than 10% of the original estimate and that are relevant to an assessment of the discharge of accountability and to an analysis of the performance of an entity. Variances below this threshold are not included unless considered significant by their nature.

It should be noted that the original budget was prepared before the 2014-15 actual figures could be known. As a consequence the opening balance of the 2015-16 Statement of Financial Position needed to be estimated and in some cases, variances between 2015-16 actuals and budget numbers can be, at least in part, attributed to unanticipated movements in the prior period figures. Variances attributable to factors which would not reasonably have been identifiable at the time of the budget preparation, such as the revaluation of plant and equipment and investment properties and impairment of assets, have not been included as part of the explanation.

On 28 August 2015, CSIRO took effective control of NICTA. As this occurred after preparation of the original budget, NICTA was not accounted for in the CSIRO Group budget.

The Budget is not audited.

## **Statement of Comprehensive Income**

The integration of NICTA accounted for additional own-source revenue of \$65.3m and expenses of \$68.2m which were not budgeted.

In addition to the impacts of NICTA, CSIRO's supplier expenditure was \$34.4m below budget which was in line with a drop of \$36.0m in revenues from the sale of goods and services. This was due to tightening external market conditions in some sectors and the implementation of the strategic reprioritisation program. Employee benefits expenditure was affected by the unbudgeted redundancy provision raised due to the strategic prioritisation program (\$28.0m).

Actual royalties and licensing revenues was higher than expected due to additional licensing revenues of \$31.5m not foreseen at the time of preparing the budget.

## **Statement of Financial Position**

NICTA total assets amounted to \$41.8m and total liabilities \$12.4m.

CSIRO's investment portfolio increased in line with CSIRO's commercial strategic objectives, with CSIRO providing funds to Uniseed Management Pty Ltd for the purpose of establishing a new pre-seed and seed fund that is expected to invest in early stage technology development. This was recognised as an investment asset in the 2016 actuals (budgeted as an other non-financial asset).

A provision of \$29.7m has been raised in 2016 for the clean-up of waste material at a remote facility, as outlined in the Overview Note. These costs were not foreseen at the time of preparing the budget.

Employee provisions were higher than expected, with an unbudgeted provision for redundancies raised due to strategic reprioritisation (\$28.0m). Additionally, bond rate movements during the year resulted in an unbudgeted impact of \$11.0m to the recorded net present value of leave liabilities. Neither of these items were able to be foreseen at the time of developing the budget.

The budgeted variance to cash was largely due to the brought forward opening position of cash in the budget (\$195.4m) against the actual opening balance (\$267.1m). The NICTA opening balance of cash was \$30.5m.

## **Cash Flow Statement**

Variances relating to cash flows occur because of the factors detailed under Income Statement and Balance Sheet.