

Australian Synchrotron Company Limited

ASCo ABN 52 126 531 271

Financial Statements for the year ended 30 June 2012

The Australian Synchrotron vision – to be the catalyst for the best scientific research and innovation in Australasia



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Introduction

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The Australian Synchrotron is a world class national scientific research facility located at 800 Blackburn Road in the suburb of Clayton in Victoria. The Australian Synchrotron is managed under a dual entity structure, comprising two companies:

- Australian Synchrotron Company Limited (ASCo) is the management entity and has the exclusive right to operate, manage and develop the Australian Synchrotron assets under a lease with Australian Synchrotron Holding Company Proprietary Limited (ASHCo).
- ASHCo is the ownership entity and owns all the Australian Synchrotron assets.

This document is one of three related documents, including the Financial Statements of ASCo, ASHCo and the Australian Synchrotron Annual Report 2012.

ASCo is a public unlisted and not-for-profit company incorporated in Australia on 13 July 2007. The Company is limited by guarantee, which operates assets leased to it by ASHCo. ASCo is responsible for overseeing all operations of the Australian Synchrotron and has responsibility for securing ongoing funding for the operation of the Australian Synchrotron and for obtaining funding for upgrades to the facility.

The Financial Statements included in this volume have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards (AAS).

An overview of the key activities and achievements of the Australian Synchrotron over 2011-2012 is provided in the Australian Synchrotron Annual Report 2012. This report is a public document and will be freely available on the Australian Synchrotron website www.synchrotron.org.au later this financial year.

Glossary

ASCo	Australian Synchrotron Company Limited. The operating company for the Australian Synchrotron
ASHCo	Australian Synchrotron Holding Company Proprietary Limited. The owner of the Australian Synchrotron assets
AAMRI	Association of Australian Medical Research Institutes
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ANSTO	Australian Nuclear Science and Technology Organisation
ARC	Australian Research Council
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DBI	Department of Business and Innovation
EIF	Education Investment Fund
EOU	Essential Operating Upgrades
GST	Goods and Services Tax
IFRS	International Financial Reporting Standards
LCLS	Linac Coherent Light Source
LHC	Large Hadron Collider
NeCTAR	National eResearch Collaboration Tools and Research
NHMRC	National Health and Medical Research Council
SLAC	Stanford Linear Accelerator Centre
SLSA	Synchrotron Light Source Australia Pty Ltd
SSRL	Stanford Synchrotron Radiation Laboratory
UPS	Uninterruptable Power Supply
VAGO	Victorian Auditor-General's Office

Corporate Information

ACN 126 531 271
ABN 52 126 531 271

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Directors

C.M. Walter AM Chairman
Dr S.H. Gallagher
Dr R.J. Hill
Prof L. Kristjanson
Prof P.M. Colman
Prof M. Lu

Company secretary

M.J. Tonroe

Registered office and principal place of business

800 Blackburn Road
Clayton, Victoria 3168
Australia
Phone: + 61 3 8540 4100

Solicitors

Holding Redlich
350 William Street,
Melbourne, Victoria 3000
Australia

Bankers

Westpac Banking Corporation
Monash University
Wellington Road
Clayton, Victoria 3800
Australia

Auditors

Victorian Auditor-General's Office
Level 24, 35 Collins Street
Melbourne, Victoria 3000
Australia

Directors' Report

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The Directors present their report together with the financial statements of Australian Synchrotron Company Limited ("the Company") for the year ended 30 June 2012, and the auditor's report thereon.

Directors

The names and details of the Company's Directors in office during the period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Directors

Mrs C.M. Walter AM

Dr S.H. Gallagher

Dr R.J. Hill

Prof L. Kristjanson

Prof P.M. Colman

Prof M. Lu

C.M. Walter AM, LLB (Hons), LLM, MBA, FAICD

Mrs Walter is a Solicitor and Company Director. She has been a Director and Chairman of the Australian Synchrotron since 19 November 2007 and has recently been appointed Chairman of Fed Square. Mrs Walter is a Director of Australian Foundation Investment Company Limited, Walter and Eliza Hall Institute of Medical Research, Victorian Funds Management Corporation and Victorian Opera and a member of the Reserve Bank's Payment Systems Board.

Professor P.M. Colman B. Sc. (Hons), PhD, D. Sc. (honoris causa)

Professor Colman trained in physics at the University of Adelaide before starting a career in protein crystallography.

He worked with Brian Matthews in Eugene (Oregon, USA) on the thermolysin structure, with Robert Huber in Munich on antibodies, and with Hans Freeman and Mitchell Guss in Sydney on plastocyanin before commencing his work on the influenza virus antigen neuraminidase at CSIRO in 1978.

Together with Jose Varghese (CSIRO) and Graeme Laver (Australian National University), he determined the structures of neuraminidase and its complex with two antibodies. In 1985 he co-founded Biota and led the research program that resulted in zanamivir, the first in a new class of medicines for influenza known as neuraminidase inhibitors.

Since 2001 he has worked at The Walter and Eliza Hall Institute of Medical Research where, together with a multidisciplinary team of colleagues, he studies the structural machinery of cell death and opportunities to utilise it in cancer therapy.

Professor Colman has been an international synchrotron user since 1983. He was a member of the Policy and Review Board of the Australian Synchrotron Research Program (1996-2001), participating in the ground work that led to the commitment to build the Australian Synchrotron.

He is a member of the Board of Directors of The Macfarlane Burnet Institute for Medical Research and Public Health.

Directors' Report (cont.)

Dr S.H. Gallagher BSc (Hons), PhD, GAICD

Dr Sean Gallagher is Chief Operating Officer of the United States Studies Centre at the University of Sydney where he is a Research Associate in Higher Education. Dr Gallagher is a founding member of the Board of Directors of the Australian Synchrotron and Chairman of its Audit and Risk Committee. He has previously held roles in science, government, public affairs, and state and federal politics.

Dr Gallagher completed his BSc (Hons) and PhD in chemistry at the University of Sydney for which he was awarded the RACI Cornforth medal, has published in the world's leading chemistry journals, and has synchrotron experience at SSRL. He has also been a Visiting Fellow at the University of Southern California (chemistry) and Stanford University (higher education).

Dr R.J. Hill DSc, PhD, BSc (Hons), FTSE, FAusIMM, FAICD, FMSA, FRACI

Dr Hill is a professor and the Pro Vice-Chancellor, Industry Engagement and Commercialisation, at Monash University. He oversees Monash University's business development, industry collaborative research relationships, technology transfer, and intellectual property management and commercialisation activities.

Dr Hill is a Director of the Victorian Centre for Advanced Materials Manufacturing Ltd, ARC Centre of Excellence for Design in Light Metals and an Investment Committee member of the Trans Tasman Commercialisation Fund. He was recently appointed Acting Chair, Melbourne East Regional Development Australia (RDA) Committee, a body established by the Federal Government Department of Regional Australia, Regional Development and Local Government.

Dr Hill was previously Group Executive for CSIRO's Manufacturing, Materials and Minerals (MMM) Group of Research Divisions. In 1991 he was awarded a Doctor of Science from the University of Adelaide for his contributions to crystal chemistry, and in 2001 he was awarded a Centenary Medal for services to Australian science and technology. Dr Hill has published more than 100 papers in refereed scientific literature and has undertaken research at synchrotron and neutron facilities in the USA, Europe and Japan.

Professor L. Kristjanson BN, MN, PhD, GAICD

Professor Kristjanson is the Vice-Chancellor of Swinburne University, Chair of Swinburne Student Amenities Association Limited, Director of Swinburne College Pty Ltd, Swinburne (Holdings) Pty Ltd and Swinburne Limited. She is also the Chair of Auscope Ltd.

Professor Kristjanson was formally the Deputy-Vice Chancellor Research & Development, at Curtin University of Technology in Western Australia. Between 2000 and 2006 she held the position as The Cancer Council WA Chair of Palliative Care. In this role Dr Kristjanson created and led the Western Australian Centre for Cancer & Palliative Care. She has received national competitive research funding from organisations in Canada, the USA and Australia. Professor Kristjanson served as a member of the National Health & Medical Research Council from 2003-2006.

Professor M. Lu B.Eng., M.Eng., PhD, FTSE, FIChemE

Professor Lu is currently senior Deputy Vice-Chancellor at the University of Queensland (UQ). He has held positions from senior lecturer to Professor at UQ since 1994. In 2003, he was awarded his first Australian Research Council (ARC) Federation Fellowship, and awarded his second in 2008. His expertise is nanomaterials for clean energy and environmental technologies. He is the Inaugural Director for the ARC Centre of Excellence for Functional Nanomaterials. With over 470 journal publications and 20 patents, Professor Lu is a ISI Highly Cited Researcher in materials science with over 15,000 citations (with a h-index of 61).

He is currently a Director of Research Data Storage Infrastructure, and National eResearch Collaboration Tools and Resources (NeCTAR). He is member of the management board for Australian Nanotechnology Network and has a ministerial appointment with National Enabling Technologies Strategy (NETS). Professor Lu is a Fellow and former Director of Australian Academy of Technological Sciences and Engineering (ATSE), and Uniseed.

Directors' Report (cont.)

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Interests in the shares and options of the Company and related bodies corporate

ASCo is a company limited by guarantee. Directors do not hold any shares in the Company.

Company secretary

M.J. Tonroe *Bsc (Hons), ACA*

Mr Tonroe is a Chartered Accountant and an experienced Company Secretary having held this position in several Australian and UK based companies. Mr Tonroe is also the Company's Chief Financial Officer with over 15 years experience in similar roles in Australia, UK, North America and Asia across a wide range of business sectors.

Dividends

The Company is limited by guarantee and under its constitution it is not able to pay any dividend.

Principal activities

The Australian Synchrotron is managed under a dual entity structure, comprising two companies:

- ASCo is the management entity and has the exclusive right to operate, manage and develop the Australian Synchrotron assets under a lease with ASHCo.
- ASHCo is the ownership entity and owns all the Australian Synchrotron assets.

Foundation investors in the Australian Synchrotron receive membership of both companies in consideration of their capital investment, namely shares in ASHCo proportional to their level of capital investment (being a minimum of \$5 million) and membership of ASCo.

The Funding Agreement between ASCo, ASHCo and the State of Victoria sets the background and conditions under which funding is provided by the Victorian Government and the Commonwealth Government towards the operating expenses of the Australian Synchrotron.

Consistent with the Agreement, the main activities include:

- Operation of the Australian Synchrotron at world class standards.
- Providing researchers in the medical, scientific and industrial research fields with access to fully operational world class synchrotron facilities.
- Providing training, technical, scientific and administrative support to users.
- Conducting and facilitating awareness programs to promote the use and benefits of synchrotron science.
- Maintaining the Australian Synchrotron in an excellent state of repair through a comprehensive annual maintenance program.
- Developing relationships with international facilities and providing support for international collaboration in synchrotron science.

Operating and scientific achievements

The Australian Synchrotron capped off an exciting year of scientific results with the welcome news announced by the Federal and Victorian State Government that, pursuant to a Memorandum of Understanding entered into in March 2012, a funding package had been agreed that will provide for the operating costs of \$100 million of the facility from 2012 – 2016. Facility and research outcomes in the 2011-2012 financial period include:

Directors' Report (cont.)

- Continuing growth in refereed journal publications with more than 250 for the year; more than 500 since the facility commenced user operations; and, when programs funded or administered by the Australian Synchrotron are taken into account, more than 1000 publications in total.
- The median impact factor of all journals in which Australian Synchrotron publications appeared was also greater than 3.5; a result comparable to the performance of Australia's best research groups.
- Strong growth in high impact factor outcomes with more than 20 publications with an impact factor of 9 or higher.
- Scientific work generated through the Australian Synchrotron in medical and life sciences, advanced materials and engineering science and earth and environmental sciences made significant contribution to Australia's National Research Priorities: creating an environmentally sustainable Australia; promoting and maintaining good health; developing frontier technologies for building and transforming Australian industries; and safeguarding Australia.
- Researchers working with AS staff used a combination of information from the small and wide angle x-ray scattering and the micro and macro-molecular crystallography beamlines to understand how enzymes dissolve blood clots and clean up damaged tissue - a finding that could ultimately lead to a reduction in the number of heart disease-related deaths. With this work the next generation of anti-clotting and "clot busting" drugs can be designed for use in treatment of strokes, heart attack and cancers.
- Research using the powder diffraction beamline demonstrated the potential for certain zinc compounds to be used as a solid storage for new hydrogen energy delivery systems. Tracking atomic structure changes as a function of temperature using a range of techniques including powder diffraction is an important step in the development of safe and economically viable hydrogen storage.
- Researchers using the x-ray fluorescence microscopy and the x-ray absorption spectroscopy beamlines have been able to demonstrate how to create crops that exhibit improved nutrient uptake. Such developments could have a huge impact in improving nutrition delivery, which is a major cause of infant mortality in the third world.
- Researchers demonstrated new methods for examining the properties of organic films using polarised soft x-rays which show excellent sensitivity to bond orientation, low sample damage and high resolution. This technique will have wide applicability in understanding the optical, mechanical and electronic properties of organic films even where such films are not crystalline.
- Research using the infra red microscopy beamline has explored the natural properties cicada wings as a way towards creating surfaces that exhibit the ability to combat bacteria.
- Research activities of the accelerator group continued to build strong links with the physics department at Melbourne and Monash Universities. As a member of the Australian Collaboration for Accelerator Science (ACAS), the University of Melbourne held undergraduate laboratory classes on the accelerators at the Australian Synchrotron, lead by one of its PhD students in accelerator physics, Kent Wootton. Tessa Charles from Monash University started her PhD with the group working on the low emittance electron source project as part of the Australian Synchrotron Development Projects.
- On the international collaboration front the accelerator group continued to build links in the Asian region with collaborative research visits to Korea and Japan. Dr Eugene Tan presented a tutorial at the Pohang Accelerator Laboratory and discussed a fast orbit feedback system being designed for the Australian Synchrotron storage ring. Dr Mark Boland was awarded a Japanese Society for the Promotion of Science travelling fellowship and spent a month at KEK in Tsukuba, Japan, with Prof Toshiyuki Mitsuhashi on developments with his invention to measure picometer beam emittances. As part of a continuing collaboration with SLAC, including postdoc Evelyne Meier's PhD work on the LCLS free electron laser, Kent Wootton took a particle detector system to SSRL and measured the storage ring electron beam energy to one part in a million.

Directors' Report (cont.)

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- Under the collaboration agreement between CERN and ACAS, the accelerator group are working with local industry to develop technology for the next generation accelerators. Novel high speed optical beam monitoring systems are being developed at the Australian Synchrotron for use on the LHC and for a test facility at CERN for a future linear collider. Skill developed in this area by MSc and PhD students are being transferred to helping local accelerator companies like Cyclotek who make radiopharmaceuticals with the ultimate aim to provide this beam diagnostic technology to the global accelerator community.
- The Australian Synchrotron has directly assisted many companies particularly in the mining and pharmaceutical sectors. For example the R&D division of a major pharmaceutical manufacturer called on the expertise of the Australian Synchrotron to help confirm the structure of a complex molecule as part of a comprehensive structural characterization program.
- Continued developments in instrumentation have ensured that the scientific capability of the facility has been recognised by the international science advisory committee as being at world class and in some cases world leading standards. In particular the small and wide angle scattering beamline is notable for technical achievements in stability and sensitivity that place it at the forefront of such beamlines worldwide.
- The reliability of the facility in delivering light to experiments was enhanced by the delivery of an uninterruptable power supply and beam availability hit unprecedented levels of 99.26% during the year and unbroken runs of service peaked at over 500 hours.
- The successful move to top-up operations, a new mode that will deliver stable beam to users with a near constant brightness.
- The facility received significant funding totalling more than \$600,000 through the National eResearch Collaboration Tools and Resources program, which is funded through the Commonwealth Government's Education Investment Fund. This program will streamline the access to data and computational methods associated with several beamlines.
- Education and outreach activities saw more than 1500 students visit and, including a well attended open day, more than 3000 visitors. The continuing public interest and positive stories delivered by the facility make the Australian Synchrotron a significant focal point for prosecuting the importance of fundamental and applied research.

Further details of the achievements are provided in the 2011-2012 Annual Report of the Australian Synchrotron.

Directors' Report (cont.)

Operating results for the period

The Company's net comprehensive result for the year was a deficit of \$(1,872,997) (2011: \$962,973). The result was earned on total revenue of \$27,725,286 (2011: \$26,375,347) and after incurring expenses of \$29,598,283 (2011: \$25,412,374).

	2012 \$	2011 \$	Movements \$
Revenue			
Commonwealth and Victorian Government funding	25,200,810	23,944,232	1,256,578
New Zealand Synchrotron Group funding	819,783	799,788	19,995
Interest revenue	510,413	493,431	16,982
Other revenue	1,194,280	1,137,896	56,384
Total revenue	27,725,286	26,375,347	1,349,939

Expenses			
Salaries and employee expenses ¹	16,157,290	14,454,253	1,703,037
Utilities	2,620,290	2,162,395	457,895
Building and technical expenses	2,243,598	2,139,108	104,490
User support and business development	2,518,076	2,241,200	276,876
Administration expenses	2,352,774	2,378,212	(25,438)
Loss on transfer of assets ²	3,706,255	2,037,206	1,669,049
Total expenses	29,598,283	25,412,374	4,185,909

Net comprehensive result	(1,872,997)	962,973	(2,835,970)
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The major movements in expenses from the 2011 to 2012 reporting period are as follows:

- 1 Salaries and employee expenses increased as a result of:
 - (i) Performance and CPI related salary increments
 - (ii) 1% increase in company superannuation contribution
 - (iii) Increase in average headcounts to optimum levels
 - (iv) Provision created for 5 employee redundancies announced on 27 June 2012
- 2 Loss on transfer of assets increased due to \$1,666,116 expenditure from the EOU Reserve for the UPS project.

The Company is not liable for income tax.

Directors' Report (cont.)

Review of financial condition

Liquidity

At the end of the reporting period, the Company had cash reserves of \$6,510,307 (2011: \$8,474,699). The Company also had trade and other receivables and other current assets representing recoverable amounts from ASHCo and other entities of \$635,735 (2011: \$1,004,596). The Company had non-current assets of \$9,599 (2011: nil). The total assets of ASCo were therefore \$7,155,641 (2011: \$9,479,295).

The Company had current liabilities of \$4,132,755 (2011: \$4,643,862) of which \$1,144,955 (2011: \$1,997,043) is owed to suppliers under normal terms of trade, other payables of \$949,556 (2011: \$1,001,661) and \$383,494 (2011: \$158,356) were in respect of contributions of funding received in advance. In addition to the current liabilities there were non-current liabilities of \$228,826 (2011: \$168,376) for employee long service leave. Working capital therefore amounted to \$3,013,287 (2011: \$4,835,433). The total liabilities of the Company were \$4,361,581 (2011: \$4,812,238).

At the end of the reporting period the Company has sufficient cash and current assets to meet its liabilities as they fall due.

Essential Operating Upgrade reserve

At the end of the reporting period the EOU reserve was fully utilised (2011: \$1,643,038).

The installation of the UPS was completed and became fully operational during this reporting period.

Ongoing operational funding

Arrangements to 30 June 2012

The operational funding arrangements established in 2007 by the Victorian and Commonwealth Governments expired on 30 June 2012. These arrangements provided annual operating funding of \$20 million plus accrued interest for the period from 1 July 2007 to 30 June 2012 to a total maximum funding of \$100 million plus accrued interest. The New Zealand Synchrotron Group provided additional annual funding of \$750,000 plus indexation during the period to 30 June 2012.

Future funding

A Memorandum of Understanding (MoU) executed in March 2012 between the State and Commonwealth Governments, ANSTO and CSIRO proposes that new operational funding of \$100 million for the four years ending 30 June 2016 be committed to the operation of the Australian Synchrotron. Pursuant to the MoU, funding of \$25 million per annum is anticipated to be provided by the following parties:

	\$M
Party	
ARC Special Research Initiative	55
State of Victoria	26
Science and Industry Endowment Fund	10
New Zealand Synchrotron Group	5
ANSTO	4
Total funding	100

Directors' Report (cont.)

Infrastructure development

Throughout the term of the current Funding Agreement there has been significant external ongoing support for expansion of the Australian Synchrotron capabilities including:

- Construction of the National Centre for Synchrotron Science, User Accommodation and Technical Support Laboratories buildings funded by a \$36.78 million grant from the Education Infrastructure Fund. This funding was committed in the Federal Budget 2009-10 and construction of all these buildings were completed ahead of schedule and on budget in May 2012. The final stage of the project which involves landscape design, civil works and storm water drainage is anticipated to be completed by December 2012.
- The Imaging and Medical Beamline: announced in April 2009, funded through grants from the NHMRC (\$13.2 million) and DBI (\$1.5 million), has become partly available for expert users mid 2012 with clinical research scheduled to begin in late 2013.

Going concern

As in previous years, the Directors and Senior Management Group of Australian Synchrotron worked closely with the Victorian Government on the approved budget for the period from 1 July 2012 to 30 June 2013 and for the four years ending 30 June 2016. A Funding Agreement has been executed with the State of Victoria under which \$8 million of the \$26 million is being provided to ASCo by 31 October 2012, \$4 million of which has been received subsequent to year end. The remainder will be received during the three years ending 30 June 2016 as part of the larger funding arrangements described elsewhere.

In the unlikely event that operational funding is not available after 31 October 2012 the Company would have a financial obligation to pay termination benefits over and above the employee entitlements reported as liabilities in these financial statements. Australian Accounting Standards preclude making provisions for such costs until they are formally approved and become payable.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Company.

Significant events after the end of the reporting period

Pursuant to arrangements anticipated by the MoU, an Operations Services Agreement (OSA) has been agreed in principle between ASCo, ASHCo and SLSA, a wholly owned subsidiary of ANSTO. ASCo will continue as operator of the Australian Synchrotron until conditions required by the OSA are satisfied and the rights and responsibilities of the current lease agreement with ASHCo are transferred to SLSA. It is anticipated by the OSA that SLSA will assume the obligations of operating the Australian Synchrotron from 1 January 2013.

Once the OSA is in place ASCo's activities will change from being the operator of the Australian Synchrotron to those of providing assistance during an integration phase to properly and smoothly transitioning activities and obligations to SLSA, the new operator. The integration phase will include the assumption by SLSA of employee contracts and entitlements and key supplier contracts.

In order for the company to gain access to the additional funding as set out on the previous page, the company will hold an Extraordinary General Meeting which is expected to be held in October 2012, after which the funding agreements and OSA are expected to be signed shortly thereafter.

Any significant delay in this timing will result in the Directors assessing alternative measures aimed at securing the financial position of the company until new funding agreements are finalised as anticipated by the MoU.

Directors' Report (cont.)

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Likely developments and expected results

Australian Synchrotron will continue to cultivate heightened awareness of synchrotron science across Australia and New Zealand with emphasis on engagement with potential academic, cultural, industrial, agricultural and commercial users of the vast capabilities of the synchrotron's existing and prospective beamlines. These developments are expected to continue irrespective of anticipated changes to the operator of the Australian Synchrotron.

Environmental regulation and performance

The Company holds a licence under the Victorian Radiation Act 2005. This licence specifies limits and regulates the conduct of the radiation practices listed in the schedules attached to the licence.

There have been no significant known breaches of the Company's licence conditions.

Indemnification and insurance of directors and officers

During the period the Company indemnified all Directors and senior officers against liability for costs and expenses for any act or omission in their capacity as a Director or officer of the Company.

Directors' meetings and committee membership

The number of Directors' meetings held during the year (including meetings of the Committee of Directors), and number of meetings attended by each of the Directors were as follows:

	Directors meetings		Audit & Risk Committee meetings	
	Attended	Held	Attended	Held
Mrs C.M. Walter AM ^{1 4}	8	8	6	4*
Dr S.H. Gallagher ^{2 4}	8	8	8	8
Dr R.J. Hill	7	8		
Prof L. Kristjanson ⁵	7	8	3	4*
Prof P. Colman	6	8		
Prof M.Lu	7	8		
Independent member:				
Mr J.N.S. Lee ^{3 4}			8	8

* Number of meetings held during the period of appointment of the Director.

Notes:

- 1 Designates the Chairman of the Board of Directors. Appointed to Audit and Risk Committee on 28 March 2012 and had also attended two Audit and Risk Committee meetings before that date.
- 2 Designates the Chairman of the Audit and Risk Committee.
- 3 Mr J.N.S. Lee is an independent consultant to ASCo and is not a Director. He is a Chartered Accountant working as an independent consultant to a number of organisations in the private, commercial and not-for-profit sectors. He is also a board member of Adult Multicultural Education Services (AMES) and Chairman of AMES Finance Committee. He had previously held commercial finance positions in a number of multinational companies both in Australia and the United Kingdom. Mr Lee attended 8 board meetings as an independent consultant.
- 4 Audit and Risk Committee members.
- 5 Prof L. Kristjanson resigned from the Audit and Risk Committee during the year.

Directors' Report (cont.)

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought to or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence declaration

The Auditor's declaration of independence as required under section 307C of the *Corporations Act 2001* is set out on the next page.

Signed in accordance with a resolution of the Board of Directors:



C.M. Walter AM

Chairman

4 October 2012

Declaration from VAGO

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

AUDITOR-GENERAL'S INDEPENDENCE DECLARATION

To the Directors, Australian Synchrotron Company Limited

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

Under the *Audit Act 1994*, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property, and may report to parliament any matters which the Auditor-General considers appropriate.

Independence Declaration

As auditor for Australian Synchrotron Company Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

MELBOURNE
4 October 2012



D D R Pearson
Auditor-General

Auditing in the Public interest

Comprehensive Operating Statement

For the financial year ended 30 June 2012

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	Note	2012 \$	2011 \$
Revenue			
Commonwealth and Victorian Government funding		25,200,810	23,944,232
New Zealand Synchrotron Group funding		819,783	799,788
Interest revenue		510,413	493,431
Other revenue	4	1,194,280	1,137,896
Total revenue		27,725,286	26,375,347
Expenses			
Salaries and employee expenses		16,157,290	14,454,253
Utilities		2,620,290	2,162,395
Building and technical expenses		2,243,598	2,139,108
User support and business development		2,518,076	2,241,200
Administration expenses		2,352,774	2,378,212
Loss on transfer of assets	6	3,706,255	2,037,206
Total expenses		29,598,283	25,412,374
Net result		(1,872,997)	962,973
Comprehensive result		(1,872,997)	962,973

The comprehensive operating statement is to be read in conjunction with the notes to the financial statements set out on pages 19 to 36.

Balance Sheet

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As at 30 June 2012

	Note	2012 \$	2011 \$
Assets			
Current assets			
Cash and cash equivalents	2(g),7	6,510,307	8,474,699
Trade and other receivables	2(h),8	274,706	246,822
Receivable from ASHCo	2(m)	23,868	280,971
GST receivable	2(j)	209,207	336,373
Other current assets		127,954	140,430
Total current assets		7,146,042	9,479,295
Non-current assets			
Other Non-Current assets		9,599	-
Total non-current assets		9,599	-
Total assets		7,155,641	9,479,295
Liabilities			
Current liabilities			
Trade and other payables	2(k),9	2,094,611	2,998,704
Provisions	2(l),10	1,654,628	1,486,782
Payable to ASHCo	2(m)	22	20
Other current liabilities	2(o),11	383,494	158,356
Total current liabilities		4,132,755	4,643,862
Non current liabilities			
Provisions	10	228,826	168,376
Total non current liabilities		228,826	168,376
Total liabilities		4,361,581	4,812,238
Net assets		2,794,060	4,667,057
Equity			
Essential operating upgrade reserve	2(p),12	-	1,643,039
Accumulated surplus		2,794,060	3,024,018
Total equity		2,794,060	4,667,057

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 19 to 36.

Statement of Changes in Equity

For the financial year ended 30 June 2012

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	Note	Accumulated surplus \$	EOU reserve \$	Total \$
Balance at 30 June 2010		3,222,002	2,500,000	5,722,002
Net result for year		962,973	-	962,973
Transfer from accumulated surplus		(1,160,957)	1,160,957	-
Essential Operating Upgrade expenditure		-	(2,017,918)	(2,017,918)
Balance at 30 June 2011		3,024,018	1,643,039	4,667,057
Net result for year		(1,872,997)	-	(1,872,997)
Essential Operating Upgrade expenditure	12	1,643,038	(1,643,038)	-
Balance at 30 June 2012		2,794,060	-	2,794,060

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 19 to 36.

Cash Flow Statement

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For financial year ended 30 June 2012

	Notes	2012 \$	2011 \$
Cash flow from operating activities			
Receipts from Commonwealth and Victorian Government funding		25,200,810	23,944,232
New Zealand Synchrotron Group funding		819,783	799,788
Interest received		510,374	493,333
Other operating receipts		2,151,013	1,559,532
GST recouped / (repaid)		1,260,482	1,051,852
Payments to suppliers and employees		(31,906,854)	(28,133,703)
Net cash flow from operating activities	13	(1,964,392)	(284,966)
Net (decrease) / increase in cash and cash equivalents		(1,964,392)	(284,966)
Cash and cash equivalents at beginning of year		8,474,699	8,759,665
Cash and cash equivalents at end of year	7	6,510,307	8,474,699

The cash flow statement is to be read in conjunction with the notes to the financial statement set out on pages 19 to 36.

Notes to the Financial Statements

Note 1. Basis of preparation

The financial statements are audited general purpose financial statements, which have been prepared in accordance with AAS, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. AAS includes the Australian equivalent of International Financial Reporting Standards (IFRS). In complying with the AAS, those paragraphs of the AAS applicable to not-for-profit entities have been applied.

The financial statements have been prepared on an accruals basis and are based on historical cost basis, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements are presented in Australian Dollars and values are rounded to the nearest dollar.

Early adoption of standards

The Company has not adopted any pronouncements that are not yet effective for the annual reporting period beginning 1 July 2011.

Critical accounting estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Judgements made by management in the application of AAS that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, are disclosed throughout the notes to the financial statements.

Going concern basis for accounting preparation

As described in the Directors' Report on page 12, the operational funding arrangements for ASCo provided by the Victorian and Commonwealth Governments expired on 30 June 2012. Pursuant to a Memorandum of Understanding (MoU) entered into in March 2012, new arrangements are in the process of being established that describe Commonwealth and State Governments commitment to operational funding of the Australian Synchrotron for four years to 30 June 2016.

As in previous years, the Directors and Senior Management Group of Australian Synchrotron worked closely with the Victorian Government on the approved business as usual budget for the period from 1 July 2012 to 30 June 2013. The Company received written confirmation from the Minister for Innovation, Services and Small Business that its proposed budget for the 2013 financial year together with the four years to 30 June 2016 is approved.

The financial report for the year ended 30 June 2012 has been prepared on a going concern basis as, in the opinion of the Directors, ASCo will be in a position to meet its operating costs for at least twelve months from the date of this report having regard to assurances from State and Federal Governments and the Directors' belief that there will be implementation of the new funding arrangements described elsewhere. Consistent with arrangements anticipated by the MoU and public announcements made by the Commonwealth, it is expected that responsibility for the operations of the Australian Synchrotron, including employee and key supplier contractual arrangements, will transfer to SLSA, a wholly owned subsidiary of ANSTO, pursuant to an Operations Services Agreement (OSA) agreed in principle between ASCo, ASHCo and SLSA. Once executed the OSA also provides the company with integration funding through to 31 December 2012 totalling \$4.2 million, which may be extended for a period of up to three months in certain circumstances.

The OSA will need approval of members at an Extraordinary General Meeting. The timing of this transfer is dependent on parties to the OSA satisfying certain contractual conditions. In anticipation of these arrangements, the Company continues to operate the facility on a business as usual basis. The future objectives of the company may change following the transfer of operations to SLSA.

Notes to the Financial Statements (cont.)

Financial statement presentation

The revised AASB 101 Presentation of Financial Statements has been applied in the preparation of the financial statements. The Company has elected to present one income statement (Comprehensive Operating Statement). The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented for the year ended 30 June 2011.

Note 2. Significant accounting policies

(a) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except for AASB 9 Financial instruments, which becomes mandatory for the Company's 2016 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

Since January 2011 the Australian Accounting Standards Board (AASB) has issued AASB 1054 Australian Additional Disclosures and several amending standards. AASB 1054 applies to annual reporting periods beginning on or after 1 July 2011, and results from the completion of Phase 1 of the joint Trans-Tasman Convergence project of the AASB and the New Zealand Accounting Standards Board (NZASB). The aim of the project is to increase consistency in accounting and reporting across Australia and New Zealand. AASB 1054 contains the Australian-specific disclosure requirements relocated from their topic based standards that are in addition to the requirements of the International Financial Reporting Standards (IFRS). The merits of locating these additional domestic disclosure requirements in a separate disclosure standard is to bring the wording of the Australian and New Zealand topic based standards closer to IFRS. The standard applies to both for-profit and not-for-profit entities. At this stage, the amending standards 2011-1, 2011-2 and 2011-3 are not expected to have any significant impacts for public sector entities.

(b) Foreign currency

Functional and presentation currency

Items included in the financial statements of the Company are measured and presented in Australian dollars.

Transactions and balances

Foreign currency transactions are translated into the Australian currency using the exchange rates prevailing at the date of transaction (invoice). Foreign exchange gains or losses resulting from the settlement (e.g. payment) of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the Comprehensive Operating Statement.

(c) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Government grants and New Zealand Synchrotron Group funding

Government grants are recognised when the Company obtains control over the contribution.

For reciprocal grants (i.e. equal value is given back by company to the provider), the Company is deemed to have assumed control when the Company has satisfied its performance obligations under the terms of the grant.

Notes to the Financial Statements (cont.)

For non-reciprocal grants, the Company is deemed to have assumed control when the grant is receivable or received. Conditional grants maybe reciprocal or non reciprocal depending on the terms of the grant.

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(ii) Other revenue

Beamline revenue

Revenue from commercial beamline usage is recognised when the service is provided.

(iii) Interest revenue

Revenue is recognised as interest accrues using the effective interest method.

(d) Expense recognition

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

Building and technical expenses are those costs incurred in maintaining the Australian Synchrotron at a world class standard. The costs also include consumables to operate the beamlines and support User experiments.

User support and business development are those costs incurred to support “the User community” in gaining access to and utilising the Australian Synchrotron. Also included are costs for education and outreach, industry engagement, stakeholder engagement and communications activities.

Administration expenses are those costs incurred in administering the operations of the Australian Synchrotron and include Director related expenditure, audit fees, insurance, travel, information technology and occupational health and safety.

Losses on transfer of assets are those costs from Essential Operating Upgrades, spare parts and civil works which maintain and enhance the Australian Synchrotron as a world class scientific research facility.

Income tax

Income tax

ASCo is a not-for-profit company and is exempt from paying income tax. A binding ruling was received in March 2006 and the tax status of the Company was confirmed by the Australian Tax Office in a Notice of endorsement for charity tax concessions dated 18 July 2008.

(e) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the Comprehensive Operating Statement on a straight-line basis over the lease term.

Monash University is the owner of the land situated at 800 Blackburn Road Clayton and leased eight hectares of this land to the State of Victoria for the establishment of the Australian Synchrotron. The State of Victoria sub-leased this land to ASHCo. ASHCo in turn sub-leased this land and all its improvements, plant and equipment to ASCo for the operation and development of the Australian Synchrotron facilities in accordance with the Australian Synchrotron Objects. ASCo is required to pay rent in advance if demanded at the scheduled amount. The current scheduled amount is \$1.

The Company leases five vehicles and the payments and obligations under the lease arrangements are treated as operating leases.

Notes to the Financial Statements (cont.)

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(f) Capital commitment

Capital commitments are capital expenditure contracted for at the reporting date, but not recognised as liabilities.

(g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at call, short-term deposits and cash from other grant funds that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(h) Trade and other receivables

Trade receivables are recognised at fair value subsequently measured at amortised cost, less a provision for impairment. Trade receivables are generally due for settlement within 30 days. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment loss is recognised in the Comprehensive Operating Statement within administration expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against administration expenses in Comprehensive Operating Statement.

(i) Assets transferred to ASHCo

ASCo acquires items of capital spares and constructs plant and equipment as part of the essential operating upgrades. These outlays are in compliance with ASCo's obligation under the lease from ASHCo to maintain the operational condition and assets of the Australian Synchrotron at a world class standard. However, all assets of the Australian Synchrotron are owned by ASHCo and accordingly, the spares and essential operating upgrades that had been acquired up to 30 June 2012 have been transferred to ASHCo for nil consideration. ASCo has incurred a loss on the transfer.

Payments made in respect of these assets are disclosed in the Cash Flow Statement as "Payments to suppliers and employees" as part of cash flows from Operating Activities.

(j) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- receivables and payables, which are stated inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are presented on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the Financial Statements (cont.)

(k) Trade and other payables

These amounts represent liabilities initially recognised at fair value, for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Provisions and employee benefits

Provisions comprise annual leave, long service leave, termination benefits, post doctoral agreements and contributions to superannuation plans.

(i) Wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits, expected to be settled within 12 months after the end of the reporting period in respect of employees' services rendered up to the end of the reporting period are recognised in other payables and are measured at amounts expected to be paid when the liabilities are settled.

(ii) Post doctoral agreements

Liability for salaries and other costs expected to be settled within 12 months after the end of the reporting period in respect of the post doctoral program are recognised as post doctoral provisions and are measured at amounts expected to be paid when the liabilities are settled.

(iii) Long service leave

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels and periods of service. Expected future payments are discounted using RBA bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(v) Superannuation fund

The Company contributes a component of each employee's remuneration package to a complying superannuation fund nominated by the employee. The amount of contribution is nominated by the employee subject to the Company's obligations under relevant legislation. Contributions are charged as an expense in the Comprehensive Operating Statement when the obligation arises. The Company has no legal obligation to cover any shortfall in the relevant fund's obligations to provide benefits to employees.

Notes to the Financial Statements (cont.)

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(m) Amounts receivable from and payable to ASHCo

During the period, ASCo and ASHCo have incurred expenditure on the other entity's behalf. The amounts due from and due to the other entity are disclosed as a current asset and current liability respectively.

(n) Other current liabilities

These amounts represent grant funding received in advance of activity. The funds are recognised as revenue in the Comprehensive Operating Statement upon expenditure activity occurring.

(o) Members guarantee

The Company is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the Company is wound up, the constitution of the Company states that each member is required to contribute a maximum of \$10 towards meeting any outstanding obligations of the Company.

The members of the Company and their consortium members (where applicable) are:

- Association of Australian Medical Research Institutes (AAMRI)

ANZAC Research Institute

Baker IDI Heart and Diabetes Institute

Bernard O'Brien Institute of Microsurgery

Bionic Ear Institute

Burnet Institute

Centenary Institute of Cancer Medicine and Cell Biology

Centre for Eye Research Australia

Children's Cancer Institute Australia for Medical Research

Children's Medical Research Institute

Florey Neurosciences Institute

Garvan Institute of Medical Research

Hanson Institute

Heart Research Institute

Institute for Eye Research

Kolling Institute of Medical Research

Lions Eye Institute

Ludwig Institute for Cancer Research Ltd

Mater Medical Research Institute

Mental Health Research Institute of Victoria

Menzies Research Institute

Menzies School of Health Research

Murdoch Childrens Research Institute

National Ageing Research Institute

Peter MacCallum Cancer Institute

Prince Henry's Institute of Medical Research

Prince of Wales Medical Research Institute

Queensland Institute of Medical Research

St Vincent's Institute of Medical Research

Telethon Institute for Child Health Research

The George Institute for International Health

The Walter and Eliza Hall Institute of Medical Research

The Wesley Research Institute

Victor Chang Cardiac Research Institute

Western Australian Institute for Medical Research

Westmead Millennium Institute

Women's & Children's Health Research Institute Inc

Woolcock Institute of Medical Research

- ANSTO
- CSIRO
- Curtin University - Western Australia Consortium

Government of Western Australia

Curtin University of Technology

The University of Western Australia

Notes to the Financial Statements (cont.)

- Monash Investment Holdings Pty Ltd
- New Zealand Synchrotron Group Limited

University of Auckland

University of Waikato

Massey University

Victoria University of Wellington

University of Canterbury

Lincoln University

University of Otago

AgResearch

Plant & Food Research

GNS Science

Industrial Research Limited

- The Secretary to the Department of Business and Innovation
- The University of Adelaide – South Australia and La Trobe University Consortium

Government of South Australia

The University of South Australia

Adelaide University

Flinders University

La Trobe University

- The University of Queensland - Queensland Consortium

Queensland Government

The University of Queensland

Queensland University of Technology

Griffith University

James Cook University

- The University of Sydney – New South Wales (AUSYN14) Consortium

NSW Government

The University of NSW

The University of Newcastle

The University of Sydney

University of Wollongong

Macquarie University

University of Western Sydney

University of New England

Charles Sturt University

Southern Cross University

The University of Canberra

University of Tasmania

Charles Darwin University

University of Technology Sydney

- The University of Melbourne (UOM Commercial Ltd – formerly UMEE Limited)

(p) Reserve

Essential Operating Upgrade reserve

The Directors determined and approved the creation of an EOU Reserve and approved for the reserve to be allocated towards the establishment of a UPS and purchase of a Klystron.

Notes to the Financial Statements (cont.)

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Note 3. Financial instruments and financial risk management objectives and policies

ASCo's principal financial instruments comprise receivables, payables, cash and cash equivalents.

ASCo manages its exposure to key financial risks, including interest rate, currency risk and liquidity risk with the objective to support the delivery of ASCo's financial targets whilst protecting future financial security.

The Company holds the following financial instruments:

2012	Contractual financial liabilities designated at fair value through profit/loss	Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total
	\$	\$	\$	\$
Contractual financial assets				
Cash and cash equivalents	-	6,510,307	-	6,510,307
Trade and other receivables	-	274,706	-	274,706
Receivable from ASHCo	-	23,868	-	23,868
Total contractual financial assets	-	6,808,881	-	6,808,881
Contractual financial liabilities				
Trade and other payables	81,435	-	2,013,176	2,094,611
Provisions (current and non current)	-	-	1,883,454	1,883,454
Payable to ASHCo	-	-	22	22
Other current liabilities	-	-	383,494	383,494
Total contractual financial liabilities	81,435	-	4,280,146	4,361,581

Notes to the Financial Statements (cont.)

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	Contractual financial liabilities designated at fair value through profit/loss	Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total
2011	\$	\$	\$	\$
Contractual financial assets				
Cash and cash equivalents	-	8,474,699	-	8,474,699
Trade and other receivables	-	246,822	-	246,822
Receivable from ASHCo	-	280,971	-	280,971
Total contractual financial assets	-	9,002,492	-	9,002,492
Contractual financial liabilities				
Trade and other payables	111,666	-	2,887,038	2,998,704
Provisions (current and non current)	-	-	1,655,158	1,655,158
Payable to ASHCo	-	-	20	20
Other current liabilities	-	-	158,356	158,356
Total contractual financial liabilities	111,666	-	4,700,572	4,812,238

a) Credit risk

Ageing of financial assets that were past due but not impaired for 2012

	0 to 30 days	31 to 60 days	61 to 90 days	91+ days	Total
Trade and other receivables	264,327	4,620	-	5,759	274,706
Total	264,327	4,620	-	5,759	274,706

Ageing of financial assets that were past due but not impaired for 2011

	0 to 30 days	31 to 60 days	61 to 90 days	91+ days	Total
Trade and other receivables	185,132	43,551	-	18,139	246,822
Total	185,132	43,551	-	18,139	246,822

Exposure to credit risk arises from the potential default of counter parties on their contractual obligations resulting in financial loss to the Company.

For trade and other receivables the amounts outstanding are regularly reviewed and any amount considered unlikely to be collected is fully provided for as uncollectable.

Cash and cash equivalents are deposited with a reputable major Australian bank. The Company has assessed that the credit risk is insignificant and not material.

Notes to the Financial Statements (cont.)

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b) Liquidity risk

Liquidity risk arises when the Company is unable to meet its obligations associated with the financial liabilities as they fall due. The Company's objective in managing liquidity risk is to ensure that all obligations will be met when they fall due.

The Company manages liquidity by regularly monitoring cash flows to ensure sufficient funds are maintained in the transactional bank account to meet liabilities as they fall due. It also monitors longer term liquidity risk by maintaining cash flow forecasts to the end of the operational funding period.

The Company is predominantly funded by a government funding agreement up to 30 June 2012. Having considered the position of current assets compared with current liabilities, the Company has assessed that the liquidity risk is insignificant and not material for this reporting period.

Maturities for financial liabilities 2012

	0 - 3 months	3 - 6 months	6 - 12 months	Total
Trade and other payables	2,078,832	10,499	5,280	2,094,611
Payable to ASHCo	22	-	-	22
Contributions received in advance (other current liabilities)	383,494	-	-	383,494
Total	2,462,348	10,499	5,280	2,478,127

Maturities for financial liabilities 2011

	0 - 3 months	3 - 6 months	6 - 12 months	Total
Trade and other payables	2,987,840	10,864	-	2,998,704
Payable to ASHCo	20	-	-	20
Contributions received in advance (other current liabilities)	158,356	-	-	158,356
Total	3,146,216	10,864	-	3,157,080

c) Market risk

Market risk arises from possible changes in the market value of the Company's assets through changes in currency rates, interest rates and other market related prices.

The Company manages its market risk by monitoring actual and potential changes to interest rates and allocating its investments accordingly.

The Company has a low exposure to foreign currency changes as it holds no foreign currency deposits, and purchases denominated in foreign currencies are not material.

The Company does not hold any other financial assets that are subject to changes in market prices.

The Company has assessed that the market risk is insignificant and not material.

Notes to the Financial Statements (cont.)

d) Foreign currency risk

Small value transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated currency gains and losses are not material.

Large value contracts from foreign suppliers are negotiated in Australian Dollars.

e) Interest rate risk

Interest rate risk is incurred on cash and cash equivalents earning interest in bank accounts. The risk associated with this is the variability of the interest rate in a floating interest rate bank account and non maximisation of interest earned if the rates decrease during a reporting period. The Company has assessed that the interest rate risk is insignificant and not material.

The Company's exposure to interest rate risk and the effective weighted average interest rates on classes of financial assets and liabilities are set out below:

	Non-interest bearing \$	Fixed interest rate \$	Floating interest rate \$	Total \$
2012				
Financial assets:				
Cash and cash equivalents	-	55,353	6,454,954	6,510,307
Trade and other receivables	274,706	-	-	274,706
Receivables from ASHCo	23,868	-	-	23,868
Total financial assets	298,574	55,353	6,454,954	6,808,881
Effective interest rates/ weighted average interest rate		5.45%	4.07%	
Financial liabilities:				
Trade and other payables	2,094,611	-	-	2,094,611
Payables to ASHCo	22	-	-	22
Other current liabilities	383,494	-	-	383,494
Total financial liabilities	2,478,127	-	-	2,478,127
Effective interest rates/ weighted average interest rate		-	-	
Net financial assets/(liabilities)	(2,179,553)	55,353	6,454,954	4,330,754

Notes to the Financial Statements (cont.)

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	Non-interest bearing	Fixed interest rate	Floating interest rate	Total
2011	\$	\$	\$	\$
Financial assets:				
Cash and cash equivalents	-	55,353	8,419,346	8,474,699
Trade and other receivables	246,822	-	-	246,822
Receivables from ASHCo	280,971	-	-	280,971
Total financial assets	527,793	55,353	8,419,346	9,002,492
Effective interest rates/ weighted average interest rate		5.4%	4.75%	
Financial liabilities:				
Trade and other payables	2,998,704	-	-	2,998,704
Payables to ASHCo	20	-	-	20
Other current liabilities	158,356	-	-	158,356
Total financial liabilities	3,157,080	-	-	3,157,080
Effective interest rates/ weighted average interest rate		-	-	
Net financial assets/(liabilities)	(2,629,287)	55,353	8,419,346	5,845,412

f) Other price risk

The Company does not hold any other financial assets that are subject to changes in market prices.

g) Net fair values of financial assets and liabilities

There are no material differences between balance sheet values and fair values of financial assets and financial liabilities. The Company is not materially exposed to financial risk in relation to net fair values of financial assets and liabilities.

Notes to the Financial Statements (cont.)

Note 4. Other revenue

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	2012	2011
	\$	\$
International synchrotron user access funding ¹	698,873	613,870
ANDS meta data collaborative grant funding	248,734	274,075
NeCTAR grant funding ²	23,245	-
Beamline revenue	76,285	111,123
Commonwealth Government grants	19,499	20,051
Victorian Government grants	-	30,500
Sundry revenue	127,644	88,277
Other revenue	1,194,280	1,137,896

¹ The Company continued to receive grant funding towards the International Synchrotron Access Program (ISAP) from the Commonwealth Government including Australian scientist access to Advance Radiation Synchrotron facility in Japan Photon.

² During the reporting period the Company was awarded a \$600,000 National eResearch Collaboration Tools and Research program (NeCTAR) to streamline access to data and computational methods associated with several beamlines. The Company had received \$23,245 from this grant at 30 June 2012.

Note 5. Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Company, Victorian Auditor-General's Office:

	2012	2011
	\$	\$
Audit of the financial statements	49,000	41,965
Total Auditor's remuneration	49,000	41,965

Note 6. Transfer of assets to ASHCo

All assets of the Australian Synchrotron are owned by ASHCo. Accordingly, the capital spares, civil works (beamline hutch construction) and EOU that had been acquired up to 30 June 2012 have been transferred to ASHCo for nil consideration. ASCo has incurred a loss on the transfer.

ASCo acquires items of capital spares and constructs plant and equipment as part of the essential operating upgrades. These outlays are in compliance with ASCo's obligation under the lease from ASHCo to maintain the operational condition and assets of the Australian Synchrotron at a world class standard.

Notes to the Financial Statements (cont.)

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	Notes	2012 \$	2011 \$
Cost of assets transferred	2(j)		
Civil works		184,182	165,500
Capital spares		320,495	288,875
Essential operating upgrades		1,535,462	1,582,831
Uninterruptable Power Supply		1,666,116	-
Total cost		3,706,255	2,037,206
Loss on transfer of assets		3,706,255	2,037,206

Note 7. Cash and cash equivalents

	2012 \$	2011 \$
Cash at bank – at call	6,198,644	8,054,161
Cash at bank – term deposit	55,353	55,353
Cash at bank – other grant funds	256,310	365,185
Total cash and cash equivalents	6,510,307	8,474,699

Note 8. Trade and other receivables

	2012 \$	2011 \$
Trade receivables	274,706	246,822
Total trade and other payables	274,706	246,822

Impaired trade and other receivables

There are no impaired trade receivables for this financial period.

Notes to the Financial Statements (cont.)

Note 9. Trade and other payables

	2012 \$	2011 \$
Trade payables	1,144,955	1,997,043
Accruals	949,656	1,001,661
Total trade and other payables	2,094,611	2,998,704

Note 10. Provisions

	2012 \$	2011 \$
Current provisions		
Employee annual leave benefits	971,868	827,165
Provision for long service leave	297,858	222,844
On-cost	143,935	108,855
	1,413,661	1,158,864
Provision for post doctorates	-	327,918
Provision for termination benefits	240,967	-
	1,654,628	1,486,782
Non-current provisions		
Provision for long service leave	205,528	152,560
On-cost	23,298	15,816
	228,826	168,376
Total provisions	1,883,454	1,655,158

Note 11. Other current liabilities

	2012 \$	2011 \$
Grant funding received in advance	293,494	158,356
Other revenue received in advance	90,000	-
Total current liabilities	383,494	158,356

During the reporting period grant funding received which had not been expended was for the International Synchrotron Access Program and Australian scientist access to Advance Radiation Synchrotron facility in Japan, ANDS Meta Data project and the NeCTAR project.

Notes to the Financial Statements (cont.)

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Note 12. Essential Operating Upgrade reserve

During 2012 the contractual balance on the UPS project of \$1,666,116 was expended and recognised in the operating statement. The balance of the EOU Reserve of \$1,643,038 was transferred to accumulated surplus.

EOUs are necessary to maintain the facility at a world class standard in accordance with the operating lease granted to ASCo by ASHCo.

	2012	2011
	\$	\$
Movement in reserve		
Balance 1 July	1,643,038	2,500,000
Transferred from / (to) accumulated surplus	-	1,160,956
UPS and Klystron expenditure	(1,643,038)	(2,017,918)
Balance at 30 June	-	1,643,038

Note 13. Cash flow statement reconciliation

	2012	2011
	\$	\$
Reconciliation of net result after tax to net cash flows from operations		
Net result	(1,872,997)	962,973
Adjustments for non-cash items:		
Loss on assets transferred to ASHCo	2,040,139	2,037,206
UPS transferred to ASHCo	1,666,116	-
Doubtful debts	-	(980)
ASHCo Director fees transferred to ASHCo	172,271	76,154
Changes in assets and liabilities:		
Decrease in trade and other receivables	99,282	491,174
Decrease in receivable from ASHCo	257,103	-
Decrease in prepayments & other assets	2,877	65,919
Decrease in trade and other payables	(4,796,065)	(3,545,157)
Increase in payable to ASHCo	2	(81,056)
Increase in accruals	13,445	(440,749)
Increase in provisions	228,296	517,057
Increase in grant funding in advance	225,138	(367,507)
Net cash flows from operating activities	(1,964,392)	(284,966)

Notes to the Financial Statements (cont.)

Note 14. Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise). Related Parties transactions have been reviewed and there are no matters to report.

Directors:

Mrs C.M. Walter AM *Chairman*

Dr S.H. Gallagher

Dr R.J. Hill

Prof L. Kristjanson

Prof P.M. Colman

Prof M. Lu

Executive Management:

Prof Keith Nugent, *Director*

Dr George Borg, *Chief Operating Officer*

Mr Michael Tonroe, *Chief Financial Officer and Company Secretary*

Dr Dean Morris, *Head of Operations*

Prof Andrew Peele, *Head of Science*

Total compensation paid to key management personnel during the period was:

	2012 \$	2011 \$
Short-term employment benefits	1,036,082	1,118,837
Post-employment benefits – Superannuation	123,903	101,291
	1,159,985	1,220,128

Note 15. Commitments

Operating lease commitments – ASCo as lessee

ASCo has entered into commercial leases on certain motor vehicles and office equipment.

These leases have an average life of three years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

	2012 \$	2011 \$
Lease payment due:		
Within one year	73,619	96,208
After one year but not more than five years	108,641	933
Total commitments (inclusive GST)	182,260	97,141
Less GST recoverable	(16,569)	(8,831)
	165,691	88,310

Notes to the Financial Statements (cont.)

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Note 16. Related party transactions

There were no related party transactions during the year.

Note 17. Contingencies

There are no legal claims against the Company or any other claim that creates a contingency for the Company.

Note 18. Segment information

The Directors of ASCo consider all of its operations to be covered by a single business segment operating in a single geographic area. Facilitating scientific research is the sole business activity and this is undertaken within Australia.

Note 19. Economic dependence

The Company is dependent on the Victorian and Commonwealth Government funding to operate the Australian Synchrotron. A Memorandum of Understanding entered into in March 2012 anticipates that \$100 million of new operational funding for a four year period commencing 1 July 2012 will be committed to the operations of the Australian Synchrotron from a number of parties including the Victorian and Commonwealth Governments. At the date of signing these financial statements the Company has received a commitment that \$8 million will be provided to ASCo by 31 October 2012. An instalment of \$4 million under this agreement was received on 31 July 2012.

Directors' declaration

In accordance with a resolution of the Directors of Australian Synchrotron Company Limited:

In the opinion of the Directors:

(a) the financial statements and Notes of the Company are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the period ended on that date; and
- (ii) complying with Accounting Standards and Corporations Regulations 2001.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 295A of the *Corporations Act 2001*.

On behalf of the Board



S.H. Gallagher
Director

Melbourne,
4 October 2012

Independent Auditor's Report



Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
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INDEPENDENT AUDITOR'S REPORT

To the Directors of Australian Synchrotron Company Limited

The Financial Report

The accompanying financial report for the year ended 30 June 2012 of Australian Synchrotron Company Limited which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration has been audited.

The Directors' Responsibility for the Financial Report

The Directors of Australian Synchrotron Company Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Corporations Act 2001*, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Corporations Act 2001* and *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independent Auditor's Report (cont.)

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession and the *Corporations Act 2001*. I confirm that I have given to the Directors of the Company a written independence declaration, a copy of which is included in the Directors' Report.

Opinion

In my opinion, the financial report of Australian Synchrotron Company Limited is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 30 June 2012 and of its financial performance for the year ended on that date
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Emphasis of matter

Without modification to the opinion expressed above, attention is drawn to the following matter. As indicated in note 1 to the financial report of Australian Synchrotron Company Limited, the financial report has been prepared on a going concern basis and in the future the Company will no longer perform its primary function as the operator of the Synchrotron. Therefore, there is material uncertainty surrounding the continued existence of the Company because the future objectives of the Company may be changed after it ceases to operate the Australian Synchrotron.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Australian Synchrotron Company Limited for the year ended 30 June 2012 included both in Australian Synchrotron Company Limited's annual report and on the website. The Directors of Australian Synchrotron Company Limited are responsible for the integrity of Australian Synchrotron Company Limited's website. I have not been engaged to report on the integrity of Australian Synchrotron Company Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
4 October 2012



D D R Pearson
Auditor-General

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Australian Synchrotron Holding Company Pty Limited
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by*



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