

## EDUCATION, SCIENCE AND TRAINING

### SENATE LEGISLATION COMMITTEE – QUESTIONS ON NOTICE 2003-2004 SUPPLEMENTARY ESTIMATES HEARING

**Outcome:** CSIRO  
**Output Group:** - CSIRO

#### DEST Question No. E586\_04

Senator Carr asked on 5 November 2003.

#### Question:

- a) In fact, could you take me through the write-down of assets on page 118 of the Annual Report?
- b) What project or investment led to the \$5.5 million write down in the value of an investment in 2001-02?
- c) What projects are the object of the \$2 million in write downs to a 'recoverable' level over the past two years?
- d) Where are these write-downs- or losses- called to account when you identify revenue from external sources?
- e) In calculations such as those in figure 3, page 39, should such losses not be set against the gains?

#### Answer:

CSIRO has provided the following response.

#### *Write-down of Assets*

- a) It is a financial reporting disclosure requirement that any write-off and/or write-down of an asset(s), including any increase in provision for doubtful debts and provision for diminution in value of investments, be disclosed as "Write-down of assets".

For 2002-03 components of the "Write-down of assets" are:

- Bad debts - being debts for which recoverability is considered remote. Bad debts in 2002-03 amounted to \$0.219m.
  - Increase in provision for doubtful debts of \$2.246m, as noted above.
  - In accordance with CSIRO policy, an increase in provision for diminution in value of investment in spin-off R&D companies of \$0.285m.
  - Write-down of investments totaling \$1.193m in listed companies (Ambri Ltd and Australian Magnesium Corporation Ltd) to their recoverable amount (ie. market price).
- b) The \$5.5m amount relates to the increase in the provision for diminution in value of investments in R&D spin-off companies in 2001-02. Due to the inherent business risk of these companies, CSIRO's accounting policy was to fully provide for the diminution in value for the investment in these companies. The \$5.5m provision was for spin-off R&D companies, Ascentia Pty Ltd, Evogenix Pty Ltd and NWIRC Pty Ltd.

- c) The write downs to “recoverable amounts” over the last two years relate to CSIRO’s investment in two listed companies (Ambri Ltd and Australian Magnesium Corporation Ltd (AMC)). The recoverable amounts (ie. market values) of these listed companies have either fallen further than prior years’ write down to recoverable amount (AMC) or fallen below cost (Ambri) as at 30 June 2003. As a result, the relevant accounting standard requires these investments to be written down to their recoverable amounts (ie. market prices as at 30 June 2003).
  
- d) All write downs or losses of assets have to be separately disclosed as an expense when incurred. These are listed within the Statement of Financial Performance on page 99 of the 2002-03 CSIRO Annual Report.
  
- e) Accounting standards require that losses and/or write downs are disclosed separately as an expense, rather than offset against revenue or gains. This is reflected in the Statement of Financial Performance in which revenues and expenses are separately disclosed.

Figure 3 on page 39 specifically addresses the source of external earnings and does not address expenses.