Appendix 5: Science and Industry Endowment Fund Annual Report 2010–11

Dr Megan Clark
Trustee SIEF

As Trustee of the Science and Industry Endowment Fund (SIEF), it is a pleasure to share with you the progress we have made this year in supporting some very exciting and promising science being undertaken in a truly collaborative way. The Fund exists to support research that assists Australian industry, furthers the interests of the Australian community or contributes to the achievement of Australian national objectives.

SIEF funded research

SIEF's unique placement in Australia's science community, as an independent fund, has been recognised by the scientific community through the submission of hundreds of project suggestions over the course of 2010–11. The quality of the researchers seeking involvement with SIEF has enabled the Fund to address issues of urgent national need using the best researchers in Australia to tackle those issues collaboratively. SIEF's involvement with selected projects has been effective in drawing additional investment into these projects from other sources, thereby leveraging the value of the Funds' investment in science and multiplying the potential for addressing key national and global needs with science.

In the second year of its rejuvenation following the substantial gift of funds from CSIRO, SIEF's strategy of funding projects which exhibit a high level of collaboration in areas of national priority, has seen it fulfil a unique role in Australia's science landscape. As the outcomes of these elite projects emerge, they provide potential for extraordinary benefits to our whole community.

One of the urgent challenges being tackled by SIEF is the need to ensure local and global food security. The Fund is sponsoring two projects that are investigating how to utilise more effectively the benefits of hybrid crops to increase yields. We have known for a long time that hybrid plants often have higher yields than their parents, but how this happens has remained a mystery. One of these projects looks to unlock this mystery and the other will look at asexual seed formation. These projects offer new methodologies in plant breeding in response to the need for increased yields and adaptation to climate change. In isolation, each can provide dramatic advances in crop breeding, but in combination they have the potential to deliver a new paradigm in agricultural production.

Another urgent challenge, as our population ages, is to better understand the mechanisms of healthy ageing. SIEF is supporting four leading research organisations from around Australia to enhance a major study investigating the mechanisms of Alzheimer's disease, early detection methods and healthy ageing. All these projects promise outcomes of real benefit to all Australians.

SIEF Governance

I would like to sincerely thank the Advisory Council, composed of some of the luminaries of Australian science, who have ensured the projects funded are of the highest quality and potential benefit. The current members of the Advisory Council are:

- Professor Alan Robson (Chair), Vice-Chancellor, University of Western Australia
- Professor Margaret Sheil, Chief Executive Officer, Australian Research Council
- Professor Tom Spurling, Professor, Faculty of Life and Social Sciences Swinburne University of Technology; CSIRO Board Member; Board Member, International Centre for Radio Astronomy Research
- Dr Ezio Rizzardo, CSIRO Fellow and Honorary Professorial Fellow, University of Melbourne
- Mr Nigel Poole, Strategic Adviser, CSIRO.

The Council provides invaluable advice and guidance in relation to the most effective deployment of SIEF funds.

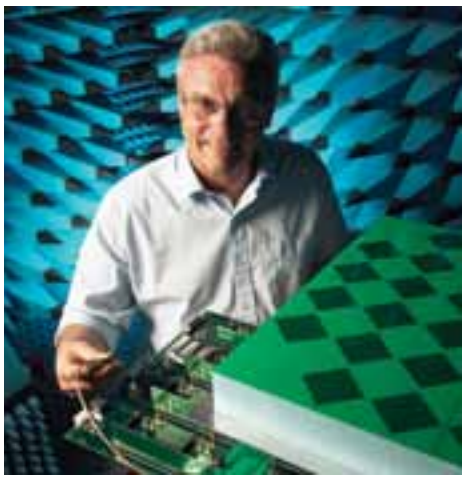
The Advisory Council is supported by an Expert Panel which reviews hundreds of project suggestions that are submitted to SIEF. I would like to thank the members of the Expert Panel, chaired by Professor Tom Spurling, and comprised of Dr Ezio Rizzardo, Professor Oliver Mayo (former Dean, Faculty of Agricultural Sciences, University of Adelaide and former Chief CSIRO Animal Production) and Emeritus Professor John McKenzie (former Dean of Science and Deputy Vice-Chancellor (Research) University of Melbourne). The Expert Panel provides detailed assistance to the Advisory Council and to the Trustee in relation to technical matters. Advice of specialist experts is sought as required.

The advice provided to the Trustee by all members of the Advisory Council and Expert Panel is *pro bono*, a tribute to the generosity of these individuals and their shared commitment to SIEF's purpose of advancing the community's wellbeing through science.

Reinforcing the unique strengths of the Fund is the strong support provided by Australia's premier science organisation, CSIRO. CSIRO has provided a gift of $150 million to the SIEF, made in tranches between October 2009 and April 2011. In addition, CSIRO provides support services to the Fund to enable the resources to be managed cost-effectively, maximising the funds available to science. The SIEF team has welcomed the commencement of Dr Melissa Straffon in March 2011 as a full-time, dedicated SIEF Manager. I am indebted to Dr Straffon for the excellent management of the Fund, and to Katrina O'Leary for governance support and to Rose Lenaghan for legal support.

Gifts to SIEF

This financial year saw another generous gift imparted to SIEF from funds donated by the former CSIRO scientist, Dr John O'Sullivan. Dr O'Sullivan led a multidisciplinary CSIRO team that developed and patented the technology at the heart of most modern high speed wireless communications systems and which provided the source of funds for CSIRO's own gift to SIEF. The Fund will apply Dr O'Sullivan's generous donation to two postgraduate scholarships, preferentially in the area of utilisation of scarce radio frequencies.



Dr John O'Sullivan. Credit: Mr Chris Walsh, Patrick Jones Photo Studio

Dr H Eric Dadswell was one of the first SIEF studentship recipients in 1926. In 1960 he became Chief of the CSIRO Division of Forest Products. Credit: Courtesy of Gordon Dadswell

The gift originating from Dr O'Sullivan is a wonderful illustration of the positive contribution that can be made to society when people have faith in the vast capacity of science to address community needs. SIEF is a small and nimble entity which has the ability to be flexible in its strategy to address not only the needs of the Australian community, but to facilitate the vision of those who recognise the value of investing in science.

Promotion of science

The inauguration this year of a program of postgraduate scholarships and postdoctoral fellowships addresses the critical need to promote science through funding the training of Australia's scientific elite. The recipients of these John Stocker Postgraduate Scholarships and Postdoctoral Fellowships are of outstanding academic calibre and will be carrying out research with the highest potential for important scientific achievement and benefits to Australia. During 2010–11, the Fund has awarded six postdoctoral

Recipients of the John Stocker Postgraduate Scholarships and Postdoctoral Fellowships with the Trustee, the Minister, Dr John Stocker (Chairman) and Dr John O'Sullivan. (Front row, left to right) Dr Megan Clark (SIEF Trustee), Dr Caroline Bull, Senator the Hon Kim Carr (Minister for Innovation, Industry, Science and Research), Dr John Stocker (Chairman) and Dr John O'Sullivan. (Back row, left to right) Mr Ashley Jones, Dr Bi-Qing For, Dr Robert Thorne, Dr Navid Nourani, Mr Aaron Song and Dr Kaikai Shen (absent Dr Hannah Lomas and Mr Vikram Ravi).

fellowships and three postgraduate scholarships in areas ranging from astronomy/astrophysics, exploration geosciences and combinatorial material sciences to mathematics and network sciences, environmental informatics and genomics/epigenomics. This successful program will continue for at least three further years.

The John Stocker program has already established a prestigious reputation in the scientific and academic community and is a fitting echo of SIEF's historical origins as an endowment made under an Act of Parliament in 1926 for the purpose of funding the training of an emerging nation's young scientists.

Future SIEF initiatives

In 2011–12, new initiatives for SIEF are anticipated, including the strategic investment in Australian research infrastructure projects of international significance. Processes and protocols for making large strategic investments in infrastructure to support precinct developments around Australia will be a focus for the Fund as well as SIEF's ongoing commitment to Supporting Research, Emerging Research, Strategic Research and the Promotion of Science.

It has been my privilege to observe the unfolding of SIEF into an entity unique in Australia's science landscape which is truly delivering on the vision of Senator the Hon Kim Carr, Minister for Innovation, Industry, Science and Research from the launch of the rejuvenated SIEF in October 2009. Senator Carr described the Fund as 'a great national resource', supported by 'benefactors who share our passion for science and our faith in its ability to make the world a better place' and I look forward to its continued development in 2011–12.

Dr Megan Clark
Trustee SIEF

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Trustee of the Science and Industry Endowment Fund

I have audited the accompanying financial report of the Science and Industry Endowment Fund, which comprises the Statement by Trustee, Balance Sheet as at 30 June 2011, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended and the Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

The Trustee's Responsibility for the Financial Report

The Trustee of the Science and Industry Endowment Fund is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This includes internal control as the Trustee determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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Independence

In conducting my audit, I have complied with the independence requirements of the Australian National Audit Office, which incorporates the requirements of the Australian Accounting Profession.

Opinion

In my opinion the financial report of the Science and Industry Endowment Fund:

(i) have been prepared in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations); and

(ii) give a true and fair view of the Science and Industry Endowment Fund's financial position as at 30 June 2011 and of its performance for the year ended on that date.

Australian National Audit Office

John McCullough
Executive Director
Delegate of the Auditor-General

Canberra
24 August 2011

SCIENCE AND INDUSTRY ENDOWMENT FUND
STATEMENT BY TRUSTEE

In our opinion, the attached financial statements for the year ended 30 June 2011 have been prepared based on properly maintained financial records and in accordance with Australian Accounting Standards and other mandatory financial reporting requirements in Australia, and give a true and fair view of the financial position of the Fund as at 30 June 2011 and of its performance for the year then ended.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Megan Clark
Trustee of the Science and Industry Endowment Fund

24 August 2011

Hazel Bennett
Chief Finance Officer of CSIRO as service provider to the Science and Industry Endowment Fund

24 August 2011

SCIENCE AND INDUSTRY ENDOWMENT FUND
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	Notes	2011 $	2010 $
EXPENSES			
Scientific research grants	8	8 998 517	2 533 025
Gift fund establishment fees		-	203 489
Gift fund services fees		687 405	354 464
Consulting fees		64 266	-
Audit fees		7 000	7 000
Bank fees		64	31
In-kind advertising and approval fees	4	4 739	4 419
Total expenses		**9 761 991**	**3 102 428**
LESS:			
REVENUE			
Gift income		100 000	150 000 000
Interest		6 444 319	3 198 744
In-kind contributions received	4	4 739	4 419
Total revenue		**6 549 058**	**153 203 163**
Net surplus		**(3 212 933)**	**150 100 735**
Other comprehensive income		-	-
Total comprehensive income		**(3 212 933)**	**150 100 735**

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

SCIENCE AND INDUSTRY ENDOWMENT FUND
BALANCE SHEET
As at 30 June 2011

	Notes	2011 $	2010 $
ASSETS			
Current Assets			
Cash	5	146 984 990	98 569 482
Sundry debtors		-	50 000 000
Interest receivable	6	782 734	1 854 002
GST receivable		373 849	298 400
Prepayments	8	-	482 398
Total current assets		**148 141 573**	**151 204 282**
TOTAL ASSETS		**148 141 573**	**151 204 282**
LIABILITIES			
Current Liabilities			
Creditors		502 815	-
Accrued expenses	7	212 362	564 953
Total current liabilities		**715 177**	**564 953**
TOTAL LIABILITIES		**715 177**	**564 953**
NET ASSETS		**147 426 396**	**150 639 329**
EQUITY			
Contributed equity		200 000	200 000
Accumulated surpluses		147 226 396	150 439 329
TOTAL EQUITY		**147 426 396**	**150 639 329**

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

SCIENCE AND INDUSTRY ENDOWMENT FUND
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

	Accumulated Surpluses		Contributed Equity		Total Equity	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $
Balance as at 1 July	**150 439 329**	**338 594**	**200 000**	**200 000**	**150 639 329**	**538 594**
Net surplus	(3 212 933)	150 100 735	-	-	**(3 212 933)**	**150 100 735**
Closing balance at 30 June	**147 226 396**	**150 439 329**	**200 000**	**200 000**	**147 426 396**	**150 639 329**

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

SCIENCE AND INDUSTRY ENDOWMENT FUND
CASH FLOW STATEMENT
For the year ended 30 June 2011

	Notes	2011 $	2010 $
OPERATING ACTIVITIES			
Cash received			
Gift receipts from CSIRO		50 100 000	100 000 000
Interest received		7 515 587	1 356 023
Total cash received		**57 615 587**	**101 356 023**
Cash used			
Payments to grantees		8 028 000	3 015 423
Other payments		1 142 277	-
Net GST paid		29 738	298 400
Bank fees paid		64	31
Total cash used		**9 200 079**	**3 313 854**
Net cash provided by operating activities	9	**48 415 508**	**98 042 169**
Net increase in cash held		48 415 508	98 042 169
Cash at the beginning of the reporting period		98 569 482	527 313
Cash at the end of the reporting period		**146 984 990**	**98 569 482**

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

SCIENCE AND INDUSTRY ENDOWMENT FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 1 Summary of Significant Accounting Policies

1.1 **Basis of Preparation of the Financial Statements**

The financial report is required by section 10 of the *Science and Industry Endowment Act 1926* and is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention. No allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured.

Revenues and expenses are recognised in the Statement of Comprehesive Income when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

1.2 **Cash**

For the purpose of the Statement of Cash Flows, cash includes cash at bank and deposits at call. They are readily convertible to cash.

1.3 **Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

1.4 **Resources Received Free of Charge**

Services received free of charge are recognised as gains when and only when a 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.

1.5 **Financial Instruments**

Accounting policies for financial instruments are stated in Note 10.

Note 2 Principal Activity

The Fund was established under the *Science and Industry Endowment Act 1926* with the Trustee of the Fund being the CSIRO Chief Executive. An appropriation of 100 000 pounds was received at the time the Fund was established. The funds were invested and have subsequently earned interest over time.

The principal activity of the Science and Industry Endowment Fund is to provide assistance to persons engaged in scientific research and in the training of students in scientific research.

New Gift October 2009

In October 2009, Senator Carr announced a gift of $150 million to be donated by CSIRO to the Science and Industry Endowment Fund. The gift is intended to be used for scientific research for the purposes of assisting Australian industry, furthering the interests of the Australian community or contributing to the achievement of Australian national objectives. The gift was made subject to the terms of a Deed of Gift between the Trustee and CSIRO dated 15 October 2009.

One hundred million dollars was received in financial year 2009-10. The final instalment of $50 million was received in financial year 2010-11.

Note 3 Contingencies and Commitments

No contingent liabilities exist as at 30 June 2011.

Schedule of Commitments	**2011**	**2010**
BY TYPE	**$**	**$**
Grants payable	17 702 895	13 717 600
Total grants payable	**17 702 895**	**13 717 600**

Note 4 Estimated value of resources provided free of charge by CSIRO are as follows:

– advertising and approval fees	4 739	4 419
Total	**4 739**	**4 419**

Note 5 Cash (current)

Cash at bank	381 349	5 329 911
Deposits – at call	146 603 641	93 239 571
Total	**146 984 990**	**98 569 482**

Note 6 Receivables (current)

Interest receivable	782 734	1 854 002
	782 734	**1 854 002**
Gross receivables are aged as follows:		
Not overdue	**782 734**	**1 854 002**

Note 7	Accrued expenses	2011 $	2010 $
	Establishment costs	-	203 489
	Service fee under Services Agreement with CSIRO	174 347	354 464
	CREST Program awards	31 015	-
	Audit fee	7 000	7 000
	Total	**212 362**	**564 953**

Note 8	Scientific research grants		
	CREST Program awards	31 015	31 423
	John Stocker Scholarships	385 000	-
	Macquarie University joint chair in Wireless Communication	365 104	-
	CSIRO AIBL2 grant	1 942 000	-
	CSIRO Plant Breeding grant	900 000	-
	CSIRO Ngara grant	4 893 000	2 984 000
	Prepaid research grants	482 398	(482 398)
	Total	**8 998 517**	**2 533 025**

Note 9	Cash Flow Reconciliation		
	Reconciliation of operating surplus to net cash from/(used by) operating activities:		
	Operating surplus/(deficit)	(3 212 933)	150 100 735
	Changes in assets and liabilities		
	(Increase)/decrease in receivables	50 995 819	(52 141 121)
	(Increase)/decrease in prepayments	482 398	(482 398)
	Increase/(decrease) in payables	150 224	564 953
	Net cash from/(used by) operating activities	**48 415 508**	**98 042 169**

Note 10 Financial Instruments	2011	2010
10A: Categories of Financial Instruments	**$**	**$**
Financial Assets		
Cash	146 984 990	98 569 482
Sundry Debtors	-	50 000 000
Interest Receivable	782 734	1 854 002
Total financial assets	147 767 724	150 423 484
Financial liabilities		
Supplier Payables	715 177	564 953
Total financial liabilities	715 177	564 953

The net value of the financial assets are their carrying amounts.

10B: Credit risk

SIEF is exposed to minimal credit risk as financial assets represent cash and short term deposits held at reputable Australian financial institutions and receivables from the CSIRO. For the purpose of this note GST receivables are not disclosed as financial instruments as they do no meet the definition of a financial asset. SIEF has assessed the risk of default on payment to be nil as of 30 June 2011 (2010: nil).

10C: Liquidity risk

SIEF's financial liabilities are supplier payables. The exposure to liquidity risk is based on the notion that SIEF will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to funding that is in place and internal policies and procedures to ensure that there are appropriate resources to meet its financial obligations.

10D: Market risk

SIEF holds basic financial instruments that do not expose SIEF to any market, currency or other price risk.

10E: Interest rate risk

SIEF maintains an operating bank account and short term deposits which are subject to short term interest rates. Funds are maintained in term deposits for short periods. In 2010-11 the average return on cash and short term deposits was 5.96% (2010: 5.54%).