Appendix 4: Science and Industry Endowment Fund Annual Report 2014–15

TRUSTEE'S REPORT

Having recently started as the Trustee to SIEF, I have been very impressed with the array of research in which the fund has invested since the fund was rejuvenated by a Gift from CSIRO, as a result of the fast WLAN patent litigation in 2009. The range and depth of research the fund is supporting is extraordinary and exciting for the future of Australian innovation.

Over the last year, SIEF-funded programs have included research into sustainable resource use, research that fast-tracks solutions to national challenges and scholarships that create and sustain young researchers to solve our country's greatest challenges. Research on these national challenges is aimed at assisting Australian industry, furthering the interests of the Australian community or contributing to the achievement of Australian national objectives. Collaboration with organisations capable of working together on solutions for national challenges is also a key objective, which leads me to share some of this year's highlights from the Fund.

Supporting research infrastructure collaborations

Funding through SIEF has supported Australian research partners to develop purpose-built facilities to both engage with industry with an innovation focus, and foster integrative and collaborative work by sharing joint access.

Both the Canberra-based National Agriculture and Environmental Sciences Precinct (NAESP) and the Clayton-based Biomedical Materials Translational Facility (BMTF) were launched in the last year.

A collaboration between Monash University and CSIRO, the Clayton-based BMTF will develop as a biomedical manufacturing centre for Australia. This is a major partnership, which will build on Australia's global competitiveness. The innovation led by the BMTF will foster rapid progress in materials and biomedical sciences and assist in commercialising the next generation of medical devices diagnostics and cell therapies.

The BMTF will be a focal point to draw in, engage and stimulate industry, with 20 emerging industry players involved. Within Australia's med-tech sector there are a range of highly innovative companies with high growth potential. The BMTF's focus on translating biomedical materials research provides these companies with a means to proactively engage earlier in the research and design process.

The NAESP, a collaboration between CSIRO and ANU, will bring transformative changes leveraging a base to conduct outstanding research and innovation essential to food security and environmental stewardship in the face of climate change, population growth and land degradation. It will link with partners in the ACT and will continue to build on its already strong links with Australian and global life sciences companies.

(L-R) Anatomics CEO Andrew Batty, Minister Ian Macfarlane, Chief Executive Dr Megan Clark, Manufacturing Flagship Director Dr Keith McLean and Monash University Vice-Provost Professor Ian Smith at the SIEF funding announcement.

Supporting the next generation

I passionately support the creation of scientific capability in the next generation of Australian researchers, innovators and entrepreneurs to address national challenges. A focus of SIEF is to help advance our early career scientists by readying them for the changing global research environment. One of my first actions as Trustee was to ensure selection criteria for the current round of Postdoctoral Fellowship applications included whether the project challenges the boundaries of knowledge and/or has potential for disruptive innovation. This is important as the major emerging national and global challenges require radically new thinking.

In November 2014, SIEF supported the Australian Academy of Science to send 15 outstanding young Australian researchers to the Lindau Nobel Laureate meeting in Germany. With a focus on physiology and medicine, 37 Nobel Laureates met with 600 young scientists from across the international community to share their knowledge and establish new contacts. Discussion centred on topics such as global health, the latest findings in cancer and AIDS research, the challenges in immunology and future research approaches to medicine. This annual meeting is a unique and inspirational opportunity for Australian early career researchers to interact both with their international peers as well as the best of the global research community.

A big drawcard for Australia occurred this year when the Australian Academy of Science hosted an 'Australian International Day' highlighting Australian science, innovation, technology, education, food and wine. Australia's Minister for Trade and Investment opened the event followed by Australian produce and music, and presentations from Australian scientists.

Supporting world-leading innovation

An exciting research project has the potential to position Australia at the forefront of rapidly developing technology in the global market. The SIEF-funded AeroEngine Project takes a complex aero engine, made up of 23 different components, and aims to demonstrate that it is possible to fabricate all the components using additive manufacturing processes, for example 3D printing. These 'waste-free' technologies will also fast-track the sustainability of Australia's titanium mineral resource.

This project brings together Australia's leading materials, additive manufacturing research and design capabilities, alongside industries across the materials and aerospace supply chain. This activity is strongly supported by end-users, so the outcome of the research will be meaningful and add significant value to commercial products, while being educational and demonstrating the innovation that can be achieved. The outstanding research and technical capabilities from three research partner organisations – Monash University, CSIRO, and Deakin University – with end users MicroTurbo, span in-depth metallurgy knowledge, process modelling and a variety of additive manufacturing technologies. Recently, an additional Australian small manufacturing in the 3D printing domain (Amaero) formally joined the collaboration.

The success of this project will position Australia at the forefront of this new technology and make Australia one of the lead contenders in additive manufacturing in the global market. A demonstrator model has already been widely acclaimed at a number of international airshows, including the Avalon Airshow and the French Airshow.

3D print of a small jet engine. Image: Monash University

SIEF Advisory bodies

I have been astounded by the level of support provided to the Trustee by the Fund's advisory bodies. Without the invaluable insight and recommendations provided by these esteemed members, on a *pro bono* basis, my role as SIEF Trustee would be truly challenging.

Advisory Council

Prof Alan Robson (Chair)
Prof Tom Spurling
Dr Ezio Rizzardo
Prof Margaret Sheil
Mr Nigel Poole

Expert Panel

Prof Tom Spurling (Chair)
Dr Ezio Rizzardo
Dr Oliver Mayo
Prof Elaine Sadler
Dr Trevor Powell

Undergraduate Degree Panel

Prof Margaret Sheil (Chair)
Prof David Symington
Dr Terry Lyons

In addition to the advisory bodies, a large number of reviewers have generously contributed their time and expertise, for which I am very grateful.

SIEF's measure of success comes from the success of others, and in that regard, with the world-leading science that is being conducted and continues to be supported under this Fund; I can say that it is a privilege to be the SIEF Trustee overseeing the innovative research leading the way in tackling the nation's challenges.

Dr Larry Marshall
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 annual financial statements of the Science and Industry Endowment Fund for the year ended 30 June 2015, which comprises:

- Statement by the Trustee and Chief Finance Officer of CSIRO as Service Provider to the Science and Industry Endowment Fund;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the financial report including a Summary of Significant Accounting Policies.

Trustee's Responsibility for the Financial Statements

The Trustee of the Science and Industry Endowment Fund is responsible for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards (including Australian Accounting Interpretations). The Trustee is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the

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reasonableness of accounting estimates made by the Trustee of the entity, as well as evaluating the overall presentation of the financial statements.

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

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

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

(a) comply with Australian Accounting Standards, including the Australian Accounting Interpretations; and

(b) present fairly the financial position of the Science and Industry Endowment Fund as at 30 June 2015 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

Brandon Jarrett
Executive Director

Delegate of the Auditor-General

Canberra
17 August 2015

SCIENCE AND INDUSTRY ENDOWMENT FUND

STATEMENT BY TRUSTEE AND CHIEF FINANCE OFFICER OF CSIRO AS SERVICE PROVIDER TO THE SCIENCE AND INDUSTRY ENDOWMENT FUND

In our opinion, the attached financial report for the year ended 30 June 2015 has 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 Science and Industry Endowment Fund as at 30 June 2015 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 Science and Industry Endowment Fund will be able to pay its debts as and when they become due and payable.

Larry Marshall

Trustee of the Science and Industry Endowment Fund

17 August 2015

Hazel Bennett

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

17 August 2015

SCIENCE AND INDUSTRY ENDOWMENT FUND
STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2015

	Notes	2015 $	2014 $
EXPENSES			
Scientific research grants	5	23,771,122	23,162,983
Service fee under Services Agreement with CSIRO		309,047	474,318
Audit fees		9,600	7,900
Advertising and approval fees	6	5,400	5,226
Other fees		63	64
Total expenses		**24,095,232**	**23,650,491**
LESS:			
REVENUE			
Scientific grant program refunds		3,732	22 963
Interest		3,239,016	4,442,879
Resources received free of charge	6	5,400	5,226
Total revenue		**3,248,148**	**4,471,068**
Net deficit		**(20,847,084)**	**(19,179,423)**
Other comprehensive income		-	-
Total comprehensive loss		**(20,847,084)**	**(19,179,423)**

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

SCIENCE AND INDUSTRY ENDOWMENT FUND
STATEMENT OF FINANCIAL POSITION
For the period ended 30 June 2015

	Notes	2015	2014
		$	$
ASSETS			
Cash	7	80,624,791	102,505,972
Interest receivable	8	747,456	742,562
GST receivable		601,407	576,643
Other receivables	8	-	19 184
TOTAL ASSETS		**81,973,654**	**103,844,361**
LIABILITIES			
Payables			
Grants payable		939,796	1,947,492
Other creditors		103,641	-
Accrued expenses	9	36,315	155,883
Total payables		**1,079,752**	**2,103,375**
TOTAL LIABILITIES		**1,079,752**	**2,103,375**
NET ASSETS		**80,893,902**	**101,740,986**
EQUITY			
Contributed equity		200,000	200,000
Retained surplus		80,693,902	101,540,986
TOTAL EQUITY		**80,893,902**	**101,740,986**

SCIENCE AND INDUSTRY ENDOWMENT FUND

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2015

	Retained Surplus		Contributed Equity		Total Equity	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**	**$**	**$**
Balance as at 1 July	**101,540,986**	120,720,409	**200,000**	200,000	**101,740,986**	120,920,409
Net deficit	**(20,847,084)**	(19,179,423)	-	-	**(20,847,084)**	(19,179,423)
Closing Balance as at 30 June	**80,693,902**	101,540,986	**200 000**	200,000	**80,893,902**	101,740,986

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

SCIENCE AND INDUSTRY ENDOWMENT FUND
CASH FLOW STATEMENT
For the period ended 30 June 2015

	Notes	2015 $	2014 $
OPERATING ACTIVITIES			
Cash received			
Scientific research grant refunds		22,915	3 780
Interest received		3,234,122	5,138,553
Net GST received		2,379,153	3,165,145
Total cash received		**5,636,190**	**8,307,478**
Cash used			
Payments to grantees		27,048,088	26,872,028
Other payments		469,220	541,845
Bank fees paid		63	62
Total cash used		**27,517,371**	**27,413,935**
Net cash provided/(used) by operating activities	10	**(21,881,181)**	**(19,106,457)**
Net increase/(decrease) in cash held		(21,881,181)	(19,106,457)
Cash at the beginning of the reporting period		102,505,972	102,505,972
Cash at the end of the reporting period		**80,624,791**	**102,505,972**

SCIENCE AND INDUSTRY ENDOWMENT FUND
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
For the period ended 30 June 2015

Note 1 Summary of Significant Accounting Policies

1.1 Principal Activity

The Science and Industry Endowment Fund (referred to as the Fund) was established under the *Science and Industry Endowment Act 1926* with the Trustee of the Fund being the CSIRO Chief Executive and is a not-for-profit entity. An appropriation of 100 000 pounds was received at the time the Fund was established. The principal activity of the Fund is to provide assistance to persons engaged in scientific research and in the training of students in scientific research.

Gift made in October 2009
In October 2009, Senator Kim Carr as Minister for Innovation, Industry, Science and Research announced a gift of $150 million to be donated by CSIRO to the 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. The maximum amount to be disbursed from the Gift Fund in any one financial year does not exceed $25 million (GST exclusive). The total cash payments made in 2014-15 under the Deed of Gift was $24,993,040.

1.2 Basis of Preparation of the Financial Statements

The financial statements for the Fund are general purpose financial statements and are required by section 10 of the *Science and Industry Endowment Act 1926* and 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 is 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 Statement of Financial Position 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 Comprehensive Income when, and only when, the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

The financial report is presented in Australian Dollars and values are rounded to the nearest dollar unless otherwise specified.

1.3 Significant Accounting Judgements and Estimates and New Accounting Standards

No accounting assumptions or estimates have been identified that have a significant impact on the amounts recorded in the financial statements.

The Fund has reviewed new standards, revised standards and interpretations/amending standards issued prior to the signing of the financial statements and considers that none of these have had a material impact. There are no new or revised pronouncements issued by the Australian Accounting Standards Board prior to the finalisation of financial statements that are expected to have a material financial impact on the Fund in future reporting periods.

1.4 Cash

Cash and cash equivalents includes cash on hand and demand deposits in bank accounts with an original maturity of six months or less that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Cash is recognised at its nominal amount.

1.5 Revenue

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

1.6 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.

1.7 Financial Instruments

Accounting policies for financial instruments are stated in Note 11.

1.8 **Taxation**

The Fund is exempted from all forms of taxation except the GST.

1.9 **Grant Payments**

Scientific research grants are normally paid inclusive of the GST.

Note 2 Events After the Reporting Period

At the time of completion of this note, the Trustee is not aware of any significant events occurring after the reporting date that could impact on the financial report.

Note 3 Schedule of Commitments

	2015	2014
	$	$
BY TYPE		
Grants Payable	47,313,739	44,712,930
GST Receivable	(4,281,613)	(4,024,812)
Total net commitments by type	**43,032,126**	**40,688,118**
BY MATURITY		
Grant Commitments Payable		
One year or less	18,529,980	20,635,383
From one to five years	28,783,759	23,994,167
More than five years	-	83,380
Total grants payable	**47,313,739**	**44,712,930**
GST Commitments Receivable		
One year to less	(1,673,635)	(1,862,126)
From one to five years	(2,607,978)	(2,155,106)
More than five years	-	(7,580)
Total Commitments receivable	**(4,281,613)**	**(4,024,812)**
Net Commitments by maturity	**43,032,126**	**40,688,118**

Note: Commitments payable are GST inclusive. Last year they were reported as GST exclusive. The comparative figures have been restated to show GST inclusive figures.

Note 4 Contingent Assets and Liabilities

No contingent assets and liabilities existed as at 30 June 2015 (2014: nil).

Note 5 Scientific research grants

	2015	2014
	$	$
CREST Program awards	26,515	38,366
Macquarie University joint chair in Wireless Communication	266,593	256,339
Scholarships and Fellowships	2,501,755	1,657,800
Research Infrastructure Investment	5,885,000	200,000
Special Research Program	3,600,000	6,400,000
Research Project Grants	11,491,259	14,610,478
Total	**23,771,122**	**23,162,983**

The Fund is a subsidiary entity of the Commonwealth Scientific and Industrial Research Organisation (CSIRO). For the 2014-15 financial year, the Fund has recognised $9.0m in grant expenses as transferred directly to CSIRO to support scientific research and infrastructure projects within CSIRO and/or collaborative projects with external organisations (2013-14: $13.0m).

Note 6 Estimated value of resources provided free of charge by CSIRO are as follows:

Advertising and approval fees	5,400	5,226
Total	**5,400**	**5,226**

Note 7 Cash

Cash at bank	1,893,620	3,026,514
Deposits – at call	78,731,171	99,479,458
Total	**80,624,791**	**102,505,972**

Note 8 Receivables

Interest receivable	747,456	742,562
Other receivables	-	19,184
Total	**747,456**	**761,746**
Gross receivables are aged as follows:		
Not overdue	747,456	761,079
Overdue by:		
0 to 30 days	-	667
Total receivables (gross)	**747,456**	**761,746**

Note 9 Accrued Expenses

Service fee under Services Agreement with CSIRO	-	109,617
CREST Program awards	26,715	38,366
Audit fee	9,600	7,900
Total	**36,315**	**155,883**

Note 10	Cash Flow Reconciliation	2015	2014
		$	$
	Reconciliation of operating surplus to net cash from/(used by) operating activities:		
	Operating surplus/(deficit)	(20,847,084)	(19,179,423)
	Changes in assets and liabilities		
	(Increase)/decrease in receivables	(10,474)	1,450,115
	Increase/(decrease) in payables	(1,023,623)	(1,377,149)
	Net cash from/(used by) operating activities	**(21,881,181)**	**(19,106,457)**

Note 11 Financial Instruments

The Fund's financial assets are cash and interest receivable on cash. The net value is equivalent to the carrying amount. Financial liabilities are supplier and grant payables. Due to the nature of SIEFs operations and its large cash holdings it is not exposed to credit risk, liquidity risk or market risk.

Interest rate risk

The Fund 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 2014–15 the average return on cash and short term deposits was 3.43% (2014: 3.98%).