Appendix 4: Science and Industry Endowment Fund Annual Report 2015–16

TRUSTEE'S REPORT

Over the last year in my role as Trustee of SIEF, I have witnessed a broad range of innovative science research tackling the nation's challenges. I am proud to be a part of SIEF's long history, which began in 1926 and has since played a vital role in supporting the development of Australian science and scientists. SIEF has supported a wide variety of science projects, including funding the collation of scientific documents from Sir Douglas Mawson's Antarctic adventures through to research that seeks to mimic butterfly wings for new compact technology.

This year, a paper about the history of the Science and Industry Endowment Fund was published in the *Historical Records of Australian Science*. Authored by Professor Tom Spurling and Susan Smith, the article describes the significant role SIEF has played in supporting pre-eminent Australian scientists over its 90-year history.

SIEF was rejuvenated by the gift of $150 million from CSIRO, as a result of the fast WLAN patented technology litigation in 2009. These Gift funds have continued the Fund's rich history of supporting scientific excellence.

Experimental Development Program

This year has seen the start of a new program in the SIEF portfolio – the SIEF Experimental Development Program (EDP). The EDP is designed to address a significant gap in current funding options available for progressing experimental research and technology development to a stage suitable for attracting commercial investment and market uptake, and to accelerate entrepreneurial activities. The EDP plays an important role in the overall SIEF portfolio, complementing current SIEF programs and activities.

The first EDP-supported research activity, an aquaculture project investigating antivirals for Black Tiger Prawns, has recently commenced. The project is looking for the best way to reduce viral load in prawn parents to stop transmission to their offspring, producing healthy prawn larvae for commercial culture that are virus-free.

This project will allow CSIRO's Brisbane-based team to assess the ability of RNA interference antivirals to reduce virus transmission. Prawn hatchlings will be reared under commercially comparable tank and pond conditions at the Bribie Island Research Centre from egg to adult, in conjunction with the Australian Prawn Farmers Association. The hatchlings will have their health, survival and growth performance assessed along the way.

The SIEF and industry support (Fisheries Research & Development Corporation funding on behalf of the Australian Government) is helping the team overcome the final R&D hurdle. The outcomes of this pilot commercialisation-scale experiment will provide the Australian prawn industry with the confidence required for commercial uptake of the antivirals, potentially adding $2.2 million of value annually to their $80 million industry.

Breeding the black tiger prawn is getting a boost from the Science and Industry Endowment Fund.

STEM+ Business Fellowship program

Another exciting, new SIEF initiative is the STEM+ Business Fellowship Program.

The STEM+ Business Fellowship Program aims to build deeper connections and collaborations between researchers and SMEs, accelerating the adoption of new ideas and technology. The program will give early-career researchers practical, on-ground experience in a workplace and an opportunity to build relationships with industry – creating and sustaining a cohort of researchers who are industry-savvy.

SIEF has enlisted the CSIRO SME Connect team to facilitate, on behalf of the Trustee, this program across the national innovation system.

SIEF supporting leading researcher

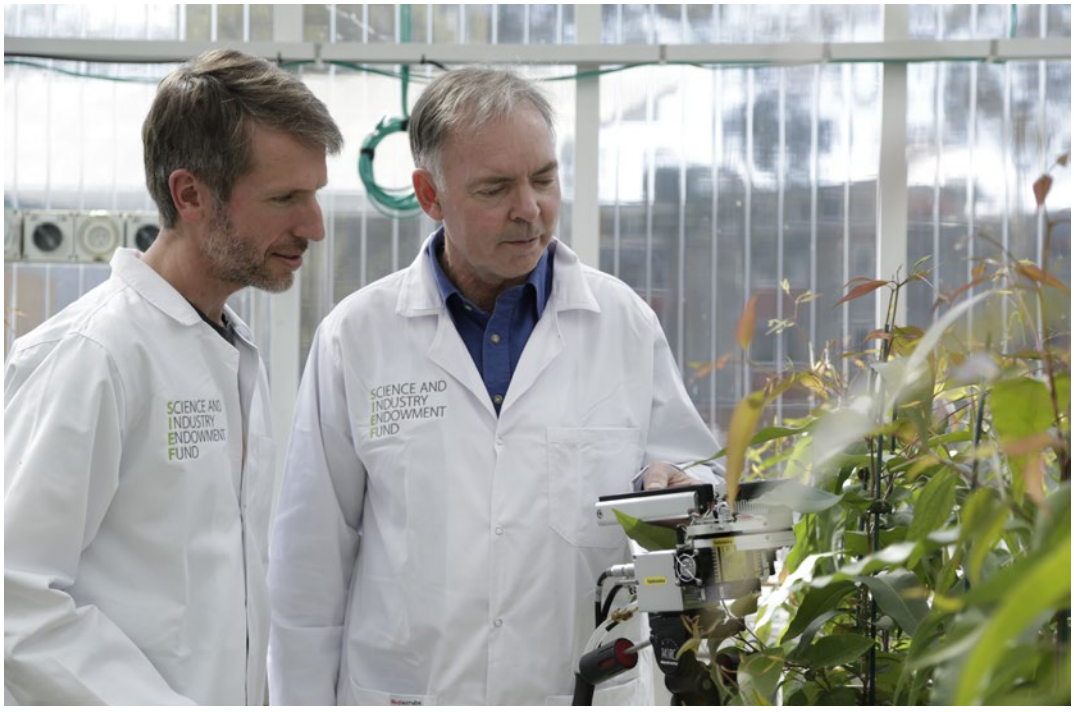
Professor Graham Farquhar from the Australian National University (ANU) won the 2015 Prime Minister's Prize for Science for his work on photosynthesis. His research in the area has led to the creation of better water-efficient crops, and his models of plant biophysics have furthered the understanding of plant cells.

Professor Farquhar leads the SIEF-funded research project 'Forests for the Future: making the most of a high carbon dioxide (CO_2) world', a collaboration between ANU, Western Sydney University and CSIRO.

While the rise in atmospheric CO_2 presents a global challenge, it also offers opportunities to increase forest production and bio-sequestration. A consequence of this rapid rise in CO_2 is that photosynthesis has been increased, generating increased carbon sequestration and plant production on a global scale.

Professor Farquhar and his team have proposed a novel strategy that rapidly identifies tree species that exhibit a strong, positive growth response to elevated CO_2, and the genetic attributes underlying this response.

The outcomes of the work will help provide an alternative to the currently very expensive and labour-intensive procedures that have so far limited commercial application from the forest industry for to better choices to achieve greater economic impact. The environmental impact of Professor Farquhar's work is an increase in plantation forests that grow well despite the effects of rising CO_2 levels, aiding in sequestration of CO_2 and an increase in the greening of Australia.



Professor Farquhar (r) leads the SIEF-funded research project 'Forests for the Future: making the most of a high CO_2 world'.

SIEF advisory bodies

Advisory Council

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

Expert Panel

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

Undergraduate Degree Panel

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

EDP Review Panels

Dr Peter Riddles (Chair)

In addition to the advisory bodies, a large number of reviewers continue to generously contribute their time and expertise, for which I am very grateful. Though the 2009 funding injection from CSIRO is coming to a close, it is remarkable the breadth and depth of science that has been supported through the SIEF. Some projects are now coming to the conclusion of their SIEF funding, but much of this research activity will continue, firmly established on the solid foundation provided by the initial SIEF funding.

Dr Larry Marshall
SIEF Trustee

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 report of the Science and Industry Endowment Fund, which comprises the Statement of Financial Position as at 30 June 2016, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes to and forming part of the financial report, and the Statement by the Trustee and the Chief Finance Officer of the Commonwealth Scientific and Industrial Research Organisation.

Opinion

In my opinion, the financial report 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 2016 and its financial performance and cash flows for the year then ended.

Trustee's Responsibility for the Financial Report

The Trustee of the Science and Industry Endowment Fund is responsible for the preparation and fair presentation of annual financial report 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 the financial report 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 report 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 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 fund'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

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fund's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Trustee, 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.

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.

Australian National Audit Office

Brandon Jarrett
Executive Director

Delegate of the Auditor-General

Canberra
9 August 2016

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 2016 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 2016 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

9 August 2016

Hazel Bennett

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

9 August 2016

SCIENCE AND INDUSTRY ENDOWMENT FUND
STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2016

	Notes	2016	2015
		$	$
EXPENSES			
Scientific research grants	1	**14,833,647**	23,771,122
Service fee under Services Agreement with CSIRO		**424,789**	309,047
Consulting fees		**60,000**	-
Audit fees		**15,000**	9,600
Advertising and approval fees	2	**5,343**	5,400
Other fees		**35**	63
Total expenses		**15,338,814**	24,095,232
LESS:			
REVENUE			
Scientific grant program refunds		**78,359**	3,732
Interest	3	**2,240,969**	3,239,016
Resources received free of charge	2	**5,343**	5,400
Total revenue		**2,324,671**	3,248,148
Net deficit		**(13,014,143)**	(20,847,084)
Other comprehensive income		**-**	-
Total comprehensive loss		**(13,014,143)**	(20,847,084)

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 2016

	Notes	2016	2015
		$	$
ASSETS			
Cash	4	**67,135,320**	80,624,791
Interest receivable	5	**450,752**	747,456
GST receivable		**412,589**	601,407
Other receivables	5	**40,480**	-
Total Assets		**68,039,141**	81,973,654
LIABILITIES			
Payables			
Grant payable		**-**	939,796
Other creditors		**124,865**	103,641
Accrued expenses	6	**34,517**	36,315
Total payables		**159,382**	1,079,752
Total liabilities		**159,382**	1,079,752
Net assets		**67,879,759**	80,893,902
EQUITY			
Contributed equity		**200,000**	200,000
Retained surplus		**67,679,759**	80,693,902

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

SCIENCE AND INDUSTRY ENDOWMENT FUND

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2016

	Retained Surplus		Contributed Equity		Total Equity	
	2016	2015	**2016**	2015	**2016**	2015
	$	$	**$**	$	**$**	$
Opening Balance	**80,693,902**	101,540,986	**200,000**	200,000	**80,893,902**	101,740,986
Net deficit	**(13,014,143)**	(20,847,084)	**-**	-	**(13,014,143)**	(20,847,084)
Closing Balance	**67,679,759**	80,693,902	**200,000**	200,000	**67,879,759**	80,893,902

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 2016

	Notes	2016	2015
		$	$
OPERATING ACTIVITIES			
Cash received			
Scientific research grant refunds		**37,879**	22,915
Interest received		**2,537,673**	3,234,122
Net GST received		**1,708,280**	2,379,153
Total cash received		**4,283,832**	5,636,190
Cash used			
Payments to grantees		**17,250,665**	27,048,088
Other payments		**522,603**	469,220
Bank fees paid		**35**	63
Total cash used		**17,773,303**	27,517,371
Net cash provided/(used) by operating activities	7	**(13,489,471)**	(21,881,181)
Net increase/(decrease) in cash held		(13,489,471)	(21,881,181)
Cash at the beginning of the reporting period		80,624,791	102,505,972
Cash at the end of the reporting period		**67,135,320**	80,624,791

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 REPORT

For the period ended 30 June 2016

Overview

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.

In October 2009 the 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 2015-16 under the Deed of Gift was $16,145,685.

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.* They have 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 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.

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.

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.

Taxation

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

SCIENCE AND INDUSTRY ENDOWMENT FUND

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the period ended 30 June 2016

Note 1 Scientific research grants

	2016 $	2015 $
CREST Program awards	**17,417**	26,515
Macquarie University Joint Chair In Wireless Communication	**277,256**	266,593
Scholarships and Fellowships	**1,436,630**	2,501,755
Research Infrastructure Investment	**3,325,000**	5,885,000
Special Research Program	**1,000,000**	3,600,000
Research Project Grants	**8,577,344**	11,491,259
Experimental Development Program	**200,000**	-
Total	**14,833,647**	23,771,122

The Fund is a subsidiary entity of the Commonwealth Scientific and Industrial Research Organisation (CSIRO). For the 2015-16 financial year, the Fund has recognised $6m in grant expenses as transferred directly to CSIRO to support scientific research and infrastructure projects within CSIRO and/or collaborative projects with external organisations (2014-15: $9m).

Note 2 Estimated value of resources provided free of charge by CSIRO are as follows

Advertising and approval fees	**5,343**	5,400
Total	**5,343**	5,400

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 these resources is recognised as an expense.

Note 3 Revenue

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

Note 4 Cash

Cash at bank	**4,166,070**	1,893,620
Term deposits	**62,969,250**	78,731,171
Total	**67,135,320**	80,624,791

Cash and cash equivalents includes cash on hand and demand deposits in bank accounts with an original maturity of twelve 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.

Note 5 Receivables

Interest receivable	**450,752**	747,456
Other receivables	**40,480**	-
Total receivables (gross)	**491,232**	747,456

All receivables are not overdue.

SCIENCE AND INDUSTRY ENDOWMENT FUND

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the period ended 30 June 2016

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